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Transcript Exhibit(s)

AZ CORP COMMISSION  
DOCKET CONTROL

Docket #(s): SW-02361A-16-0067

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Arizona Corporation Commission

DOCKETED

JUN 14 2016

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Exhibit #: A-1 - A-3 ; S-1

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ORIGINAL

NEW APPLICATION

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AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 24 2016

DOCKETED BY

*[Signature]*

1 SHAPIRO LAW FIRM, P.C.  
Jay L. Shapiro (No. 014650)  
2 1819 E. Morten Avenue, Suite 280  
Phoenix, Arizona 85020  
3 Telephone (602) 559-9575

4 Liberty Utilities  
Todd C. Wiley (No. 015358)  
5 12725 W. Indian School Road  
Suite D-101  
6 Avondale, AZ 85392  
7 Telephone: (623) 240-2087

8 Attorneys for Liberty Utilities (Black Mountain Sewer) Corp.

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10  
11 IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (BLACK  
12 MOUNTAIN SEWER) CORP. FOR  
APPROVAL OF AN EXTENSION OF A  
13 CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WASTEWATER  
14 UTILITY SERVICE IN MARICOPA  
COUNTY, ARIZONA.

DOCKET NO: SW-02361A-16-0067

**APPLICATION FOR EXTENSION  
OF CERTIFICATE OF  
CONVENIENCE AND NECESSITY**

15  
16 In accordance with A.A.C. R14-2-602, Liberty Utilities (Black Mountain Sewer)  
17 Corp. ("Liberty Black Mountain" or "Applicant"), an Arizona public service corporation,  
18 applies to the Arizona Corporation Commission ("Commission") for an order approving  
19 the extension of Liberty Black Mountain's existing Certificate of Convenience and  
20 Necessity ("CC&N") to provide wastewater utility service to the Eastwood development  
21 located in certain defined portions of Maricopa County, Arizona.

22 **EASTWOOD DEVELOPMENT**

23 1. The Eastwood Development is an approximately 9.5 acre property located  
24 in the Town of Carefree generally located by Cave Creek Road adjacent to the north and  
25 west of Pima Road. The Eastwood Development property lies within Section 36 of  
26 Township 6 North, Range 4 East of the Gila and Salt River Meridian (the "Property").

EXHIBIT

A-1  
ADMITTED

1           2.     The Eastwood Development is a residential community located in the north  
2     central part of Maricopa County, Arizona. The Property is currently being developed and  
3     owned by Keystone at Eastwood, LLC ("Developer") in its entirety once the Eastwood  
4     Development plat process is completed. The 9.5 acre Eastwood Development is currently  
5     contained in three different property tax numbers owned by various property owners who  
6     have each given their written request for service for their respective properties. There are  
7     not any other persons who own land within the Property and who have not requested  
8     service from Liberty. Developer is currently preparing the Final Plat of Eastwood to be  
9     approved by the Town of Carefree. The Eastwood Development consists of thirty nine  
10    (39) single-family residential lots with two (2) open space, detention and drainage areas.

11           3.     Developer, as the Property owner, has requested that wastewater utility  
12    service to the Property be provided by Liberty Black Mountain. All wastewater flows  
13    generated by the Eastwood Development will be delivered to Liberty's existing Black  
14    Mountain Water Reclamation Facility ("BMWRF") and at a later date to City of  
15    Scottsdale once the BMWRF is closed in accordance with the Commission order. It is  
16    anticipated that the Property will have a total of 39 residential dwelling units and 39  
17    equivalent dwelling units ("EDUs") at build out (based on a flow of 320 gpd per single  
18    family dwelling unit).

#### 19                               CC&N EXTENSION APPLICATION

20           4.     Applicant's legal name, mailing address and telephone number are: Liberty  
21    Utilities (Black Mountain Sewer) Corp., 12725 W. Indian School Road, Suite D-101,  
22    Avondale, Arizona, (623) 935-9367. Applicant is a public service corporation formed for  
23    the purpose of providing wastewater utility service in Maricopa County, Arizona.  
24    Liberty Black Mountain holds a CC&N issued by the Arizona Corporation Commission  
25    authorizing Liberty Black Mountain to provide public wastewater utility service within its  
26    CC&N. Liberty's CC&N area encompasses approximately five (5) square miles mainly

1 bounded with Sundance Trail alignment to the north, Pima Road to the east, Cave Creek  
2 Road to the west and Dove Valley Lane to the south.

3 5. The proper name, address and corporate structure for Liberty Black  
4 Mountain as applicant in this docket are set forth in attached **Exhibit 1 Corporate**  
5 **Information**, including the amount of stock authorized and subsequently issued. The  
6 names, titles and mailing addresses for Liberty Black Mountain's officers and directors  
7 also are set forth on attached **Exhibit 1**. Applicant does not own an interest in any other  
8 utility companies.

9 6. Liberty Black Mountain's Certificate of Good Standing from the  
10 Commission is attached hereto as **Exhibit 2**.

11 7. Liberty Black Mountain's management contact is Matthew Garlick,  
12 President, 12725 W. Indian School Road, Suite D-101, Avondale, AZ 85392.  
13 Mr. Garlick's telephone number is (623) 298-3763 and his email address is  
14 Matthew.Garlick@LibertyUtilities.com.

15 8. Liberty Black Mountain's operators certified by the Arizona Department of  
16 Environmental Quality (ADEQ) are Gilbert Grajeda, Operations Manager, 6520 East  
17 Highway 60, Gold Canyon, AZ 85218, (623) 983-1293, and Matthew Garlick, President,  
18 12725 W. Indian School Road, Suite D-101, Avondale, AZ 85392, (623) 298-3763.

19 9. Liberty Black Mountain's attorneys for this application are:

20 Jay L. Shapiro  
21 SHAPIRO LAW FIRM  
22 1819 E. Morten Avenue, Suite 280  
23 Phoenix, Arizona 85020  
Telephone: (602) 559-9575  
Email: Jay@ShapsLawAZ.com

24 Todd C. Wiley  
25 Assistant General Counsel – Liberty Utilities  
26 12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392  
Telephone: (623) 240-2087  
Email: Todd.Wiley@LibertyUtilities.com

1 All case filings, correspondence, data requests and/or other requests for information  
2 should be directed to both Mr. Shapiro and Mr. Wiley.

3 10. The area covered by this Application includes approximately 9.5 acres  
4 ("Extension Area"), which represents property to be owned solely by Developer. All  
5 property included within the Extension Area is the Eastwood Development. As such,  
6 there are no landowners within the Extension Area who did not request an extension of  
7 wastewater utility service by Liberty Black Mountain. The Town of Carefree and the City  
8 of Scottsdale are the closest municipalities. The Town of Cave Creek and the City of  
9 Phoenix are located within five miles of the Extension Area.

10 11. The legal description for the Extension Area is attached as **Exhibit 3**.

11 12. The Final Sewer Report for Eastwood (January 2016) prepared by EPS  
12 Group is attached as **Exhibit 4**. That Final Sewer Report includes a complete description  
13 of the wastewater facilities proposed to be constructed for service to the Eastwood  
14 Development in the Extension Area.

15 13. The estimated total cost for construction of facilities required to provide  
16 wastewater service to the Extension Area is attached as **Exhibit 5**. The only offsite and  
17 onsite facilities needed to serve the Extension Area will be financed through advances in  
18 aid of construction and Hook-Up Fees made by the Eastwood Developer. Any new sewer  
19 capacity needed, if any, from City of Scottsdale would be provided by Liberty Black  
20 Mountain.

21 14. A general Statement of Financial Condition for Liberty Black Mountain is  
22 attached as **Exhibit 6**.

23 15. For service to the Extension Area, Liberty Black Mountain will charge its  
24 rates and charges as approved by the Commission. A copy of Liberty's existing tariff  
25 schedule is attached as **Exhibit 7**. Liberty Black Mountain has a pending rate case at the  
26 time of this filing under Docket No. SW-02361A-15-0207. For the Extension Area,

1 Liberty Black Mountain will charge the rates approved by the Commission in that docket.

2 16. Liberty Black Mountain's estimated annual operating revenues and  
3 operating expenses for the first five years of operation in the Extension Area are attached  
4 as **Exhibit 8**.

5 17. The Eastwood Development is planned to contain 39 single family homes.  
6 Developer proposes and intends to start construction on the development as soon as  
7 possible in 2016 once the Commission has approved this CC&N Application. All  
8 construction is planned to be completed by year end 2016. A detailed description of the  
9 proposed construction timeline for facilities and construction phases for the Eastwood  
10 Development is attached within **Exhibit 5**.

11 18. The written requests for extension of wastewater utility service by Liberty  
12 Black Mountain to the Extension Area from all property owners of the Property are  
13 attached as **Exhibit 9**.

14 19. Detailed maps of Liberty Black Mountain's existing CC&N area and the  
15 Extension Area are attached as **Exhibit 10**. **Exhibit 10** includes seven separate maps,  
16 including (i) Eastwood CC&N Expansion Map (metes & bounds), (ii) Eastwood CC&N  
17 Expansion Map, (iii) Eastwood development showing 3 distinct properties by APN  
18 number, (iv) Eastwood development current property owners who provided Written  
19 Request for Service, (v) Eastwood development proposed sewer lines, (vi) CC&N  
20 Extension and Nearby Municipalities/Private Sewer Providers within 1 Mile, and (vii)  
21 CC&N Extension and Nearby Municipalities/Private Sewer Providers within 5 Miles.  
22 These maps show the Extension Area and municipal corporate limits that overlap with or  
23 are within five miles of the Extension Area; and the Extension Area and its relationship to  
24 the service areas of other public service corporations, municipalities and/or districts  
25 currently providing water or wastewater service within one mile of the Extension Area,  
26 with identification of the entity providing service and each type of service being provided.

1 These maps also include:

- 2 • Boundaries of the Extension Area, with the total acreage noted.
- 3 • Land ownership boundaries within the Extension Area, with the acreage of
- 4 each separately owned parcel within the Extension Area noted.
- 5 • The owner of each parcel within the Extension Area (the Extension Area is
- 6 owned by three different entities with all three entities passing title to
- 7 Developer once the plat process is completed).
- 8 • That there are not any known wastewater service connections that are
- 9 already being provided service by Applicant within the Extension Area.
- 10 • The location of all parcels for which a copy of a request for service has been
- 11 submitted.

12 These maps further show the location of Eastwood, the only proposed development within  
13 the Extension Area, and the proposed location of the principal components of the  
14 wastewater system planned for the Extension Area.

15 20. A copy of the form of notice to be sent to municipal  
16 managers/administrators for municipalities within a five (5) mile radius of the Extension  
17 Area is attached as **Exhibit 11**.

18 21. The Extension Area is already included within Liberty Black Mountain's  
19 designated service area approved by the Town of Carefree.

20 22. The estimated numbers of customers to be served during the first five years  
21 of wastewater utility service to the Extension Area are attached as **Exhibit 12**.

22 23. ADEQ Approvals to Construct issued for facilities to be constructed in the  
23 Extension Area will be provided to the Commission as soon as Applicant receives them.

24 24. The Extension Area is currently within the Town of Carefree's water service  
25 area. Applicant will treat all wastewater generated within the Extension Area at Liberty's  
26 Black Mountain Water Reclamation Facility. Treated effluent either will be delivered for

1 direct use or delivered to the City of Scottsdale's existing water reclamation facilities.

2 25. ADEQ no longer issues compliance status reports directly to wastewater  
3 providers. Applicant will send a written request to ADEQ asking that the agency send the  
4 most current compliance status report for Liberty Black Mountain directly to the  
5 Commission.

6 26. Liberty Black Mountain's Aquifer Protection Permit issued by ADEQ is  
7 attached as **Exhibit 13**.

8 27. Liberty Black Mountain's Wastewater Use Data Sheet for the period from  
9 January to December 2015 is attached as **Exhibit 14**.

10 28. A notarized signature on behalf of Applicant is attached as **Exhibit 15**.

11 29. For the reasons stated herein, Liberty Black Mountain maintains that this  
12 Application is in the public interest and should be granted. There is a need for regulated  
13 wastewater utility service to the Extension Area in Maricopa County to ensure the public  
14 health, and foster orderly growth.

15 WHEREFORE, Liberty Utilities (Black Mountain Sewer) Corp. respectfully  
16 requests the following:

17 A. That the Commission consider and act upon this application as timely as  
18 possible and to schedule a hearing, if necessary, on this matter;

19 B. That upon completion of said hearing, the Commission enter an order  
20 approving this application and extending Liberty's CC&N to include the Extension Area  
21 as described on **Exhibit 3**; and,

22 C. That the Commission grant such other and further relief as may be  
23 appropriate under the circumstances herein.

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RESPECTFULLY SUBMITTED this 24th day of February, 2016.

SHAPIRO LAW FIRM, P.C.

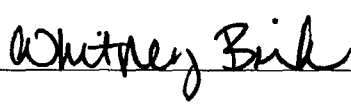
By   
Jay L. Shapiro  
Attorneys for Liberty Utilities (Black Mountain  
Sewer) Corp.

and

LIBERTY UTILITIES  
Todd C. Wiley  
Assistant General Counsel

ORIGINAL and fifteen (15) copies  
of the foregoing were filed  
this 24th day of February, 2016, with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

By: 

**ATTACHED EXHIBITS**

1. Corporate Information for Liberty Utilities (Black Mountain Sewer) Corp.
2. Applicant's Certificate of Good Standing from the Arizona Corporation Commission.
3. Legal Description of Extension Area.
4. Sewer Report for Eastwood dated January 4, 2016.
5. Estimated Total Construction Costs and Plant Cost Projections with Construction Schedule.
6. General Statement of Financial Condition.
7. Liberty's Schedule of Rates and Charges.
8. Annual Revenue and Expenses – First Five Years.
9. Written Request for Service.
10. Maps of Existing CC&N and Extension Area.
11. Form of Notice to be Sent to Municipalities within 5 mile of Extension Area.
12. Estimated Number of Customers – First Five Years.
13. ADEQ Aquifer Protection Permit.
14. Applicant's Wastewater Use Data Sheet.
15. Notarized Signature On Behalf of Applicant.

## **EXHIBIT 1: CORPORATE INFORMATION**

**Applicant Proper Name:** Liberty Utilities (Black Mountain Sewer) Corp.

**Applicant Address:** 12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

**Corporate Structure:** For-profit Chapter "C" Corporation  
1,000 Shares issued to Liberty Utilities (Sub) Corp.

**Officers:** Matthew Garlick, President  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

Todd Wiley, Treasurer and Secretary  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

**Directors:** Ian Robertson, Director  
354 Davis Road  
Oakville, ON L6J 2X1

Richard Leeher, Director  
28 South Shore Road  
Salem, NH 03079

Gregory S. Sorensen, Director  
701 National Ave  
Tahoe Vista, CA 96148

**EXHIBIT 2**

**Certificate of Good Standing**

# STATE OF ARIZONA



## Office of the CORPORATION COMMISSION

### CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Jodi A. Jerich, Executive Director of the Arizona Corporation Commission, do hereby certify that

\*\*\*LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.\*\*\*

a domestic corporation organized under the laws of the State of Arizona, did incorporate on February 24 1978.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 18th day of February, 2016, A. D.

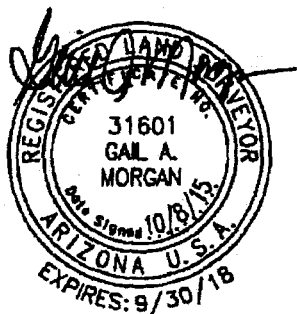


*Jodi A. Jerich*  
Jodi A. Jerich, Executive Director

By: 1376357

## EXHIBIT 3

### Legal Description for Extension Area



### Legal Description Eastwood

Job No. 15-058

October 8, 2015

A portion of the Southeast quarter of Section 36, Township 6 North, Range 4 East of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at a brass cap at the southeast corner of the Southeast Quarter of said Section 36, from which a brass cap at the South quarter corner of said Section 36 bears South 89 degrees 52 minutes 32 seconds West (an assumed bearing) 2641.74 feet; thence South 89 degrees 52 minutes 32 seconds West, 548.51 feet; thence North 0 degrees 03 minutes 03 seconds West, along a line parallel with the east line of the Southeast Quarter of said Section 36, 891.13 feet to the POINT OF BEGINNING;

Thence South 89 degrees 52 minutes 31 seconds West, 227.40 feet;  
thence South 14 degrees 30 minutes 24 seconds West, 192.25 feet to the northeast corner of Lot 2C of the Lot Split of Lot 2, defined in Book 1135, Page 14, records of Maricopa County, Arizona;  
thence South 31 degrees 52 minutes 47 seconds West, along the east line of said Lot 2C, 88.28 feet;  
thence North 74 degrees 20 minutes 42 seconds West, 287.42 feet to a point on the west line of said Lot 2C;  
thence North 0 degrees 03 minutes 03 seconds West, along said west line and the northerly prolongation thereof, 607.69 feet to the monument line of Cave Creek-Camp Creek Road and the beginning of a non-tangent curve, concave Northwest, from which the radius point bears North 34 degrees 29 minutes 14 seconds West a distance of 716.20 feet;  
thence Northeasterly, 14.56 feet along said monument line and the arc of said curve to the left through a central angle of 1 degrees 09 minutes 52 seconds;  
thence North 54 degrees 20 minutes 54 seconds East, along said monument line, 62.05 feet to the beginning of a curve, concave Southeast, having a radius of 716.20 feet;  
thence Northeasterly 299.79 feet along said monument line and the arc of said curve to the right through a central angle of 23 degrees 59 minutes 00 seconds;  
thence North 78 degrees 19 minutes 54 seconds East, along said monument line, 269.55 feet;  
thence South 0 degrees 03 minutes 03 seconds East, along a line parallel with the east line of the Southeast Quarter of said Section 36, 642.15 feet to the POINT OF BEGINNING.

An area containing 413,915 s.f. or 9.5022 acres, more or less.

EPS Group, Inc. • 2045 S. Vineyard, Suite 101 • Mesa, AZ 85210  
Tel (480) 503-2250 • Fax (480) 503-2258

S:\Projects\2015\15-058\Legal Survey\Legals\15058 LD Combined Parcels.docx

## **EXHIBIT 4**

### **Sewer Report by EPS Group**

**Sewer Report**

**Brief Narrative of Eastwood**





## Final Sewer Report

For

### Eastwood

### Carefree, Arizona

Owner/Developer

Keystone at Eastwood, LLC  
4025 S. McClintock, Suite 209  
Tempe, Arizona 85282  
Tel: 480-428-1001  
Contact: Rich Eneim

BY SIGNING THIS STUDY, I AM ATTESTING THAT I HAVE RELIED UPON THIS DOCUMENT'S CERTIFIED ENGINEER'S CALCULATIONS AND PRESENTATION. I HAVE NOT VERIFIED ALL OF THE PRESENTED CALCULATIONS FOR ERRORS OR OMISSIONS. MY REVIEW IS TO ONLY ACKNOWLEDGE THAT THIS MASTER PLAN REPORT'S LOGIC AND DISCLOSURE AS TO HOW THIS DEVELOPMENT IMPACTS UTILITY OWNED INFRASTRUCTURE APPEARS ACCEPTABLE PER THE INFORMATION PROVIDED HEREIN, AND THAT IT CONFORMS TO THE INTENT OF THE UTILITY'S DEVELOPMENT GUIDE. IF THERE ARE ANY CHANGES TO THE REPRESENTATIONS WITHIN THE MASTER PLAN, THE ENGINEER WILL SUBMIT A REVISED MASTER PLAN FOR REVIEW.

A handwritten signature in black ink, appearing to read 'John C. McGhee'.

1/4/16

DATE



2045 S. Vainyard Avenue Suite 101  
Mesa, AZ 85210  
P 480.503.2250  
F 480.504.2258

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## **Appendices**

**Appendix A: Sewer Exhibit**

**Appendix B: Sewer Calculations**

## **1.0 Executive Summary**

Eastwood (the Project) is a 9.5 acre site with proposed single family detached community which will be provided sewer service by Liberty Utilities. Liberty Utilities will file an application with the Arizona Corporation Commission to extend its Certificate of Convenience and Necessity ("CC&N") to include the Eastwood project.

The calculations of sewer and water flows and pipe sizing in this report are based on system design criteria in the Liberty Utilities Maricopa County Development Guide (MCDG).

Eastwood sewer flows will connect into an existing manhole within an 8-inch sewer line in Cave Creek Road.

The proposed system meets the master planning criteria as established by Liberty. The existing Liberty sewer collection system has adequate capacity for Eastwood.

## **2.0 Introduction**

### **2.1 Objective**

This final report will review the design of the Eastwood sewer system. Eastwood is 9.5 acre site with proposed single family detached community within Carefree, Arizona. Sewer service will be provided by Liberty Utilities. Liberty Utilities will file an application with the Arizona Corporation Commission to extend its Certificate of Convenience and Necessity ("CC&N") to include the Eastwood project.

### **2.2 Project Location**

The Project is generally bounded by Cave Creek Road to the north, Pima Norte Commercial Site to the east, a future Stagecreek Estates subdivision to the west, and vacant land to the south. The site can be further located within the southeast quarter of section 36, Township 6 North, Range 4 East of the Gila and Salt River Meridian, Maricopa County, Arizona. The project includes 39 lots.

### **2.3 Topographic Conditions**

The property ranges in elevation from approximately 2540 at the southwest corner of the property to approximately 2565 at the northeast corner. The site historically drains from east to west. Due to the large fall across the site, Liberty Utilities has allowed for a change in the minimum cover requirement as well as the drop through the manholes.

## **3.0 Design Criteria**

The calculations of sewer and water flows and pipe sizing in this report are based on system design criteria in the *Liberty Utilities Maricopa County Development Guide*.

The following design criteria were taken from these standards for this project:

- Designed with an average flow of 100 gallons per day per capita.
- Number of persons per household = 3.2
- Peaking Factor = 3.0

Additional system criteria per Liberty Utilities for this project are:

- Sewer depth of cover = 4'-0" provided that service lines have 3'-6" minimum cover at property line.

- Manning's Roughness Coefficient = 0.013
- Velocities = 2.0 fps minimum at peak hour. 10.0 fps maximum
- Manhole Spacing = 500' maximum
- Sewer Capacity Ratio =  $d/D = 0.75$  maximum at peak hour
- Minimum Pipe Diameter = 8"
- Manhole Invert Drops = 0.0' if slope is maintained through the manhole, otherwise 0.1'

#### 4.0 Sewer Flows

Peak Flow in GPD is calculated as:

$$\text{Design Flow} = \text{Peak Flow} = Q_{\text{Peak}} = Q_{\text{avg}} [P]$$

Where

P = Peaking Factor = 3

Line Capacity (Q):

$$Q = \frac{1.49 A R^{2/3} S^{1/2}}{n}$$

Where

n = 0.013

A = Cross Sectional Area

R = Hydraulic Radius

S = Slope

See Appendix B for flow results. The site is expected to output an average flow of 12,480 GPD and a peak flow of 37,440 GPD (0.058 cfs)

#### 5.0 Proposed System

Wastewater from the project will flow northwest via an 8-inch gravity line. This line connects into an existing manhole within an 8-inch sewer line in Cave Creek Road.

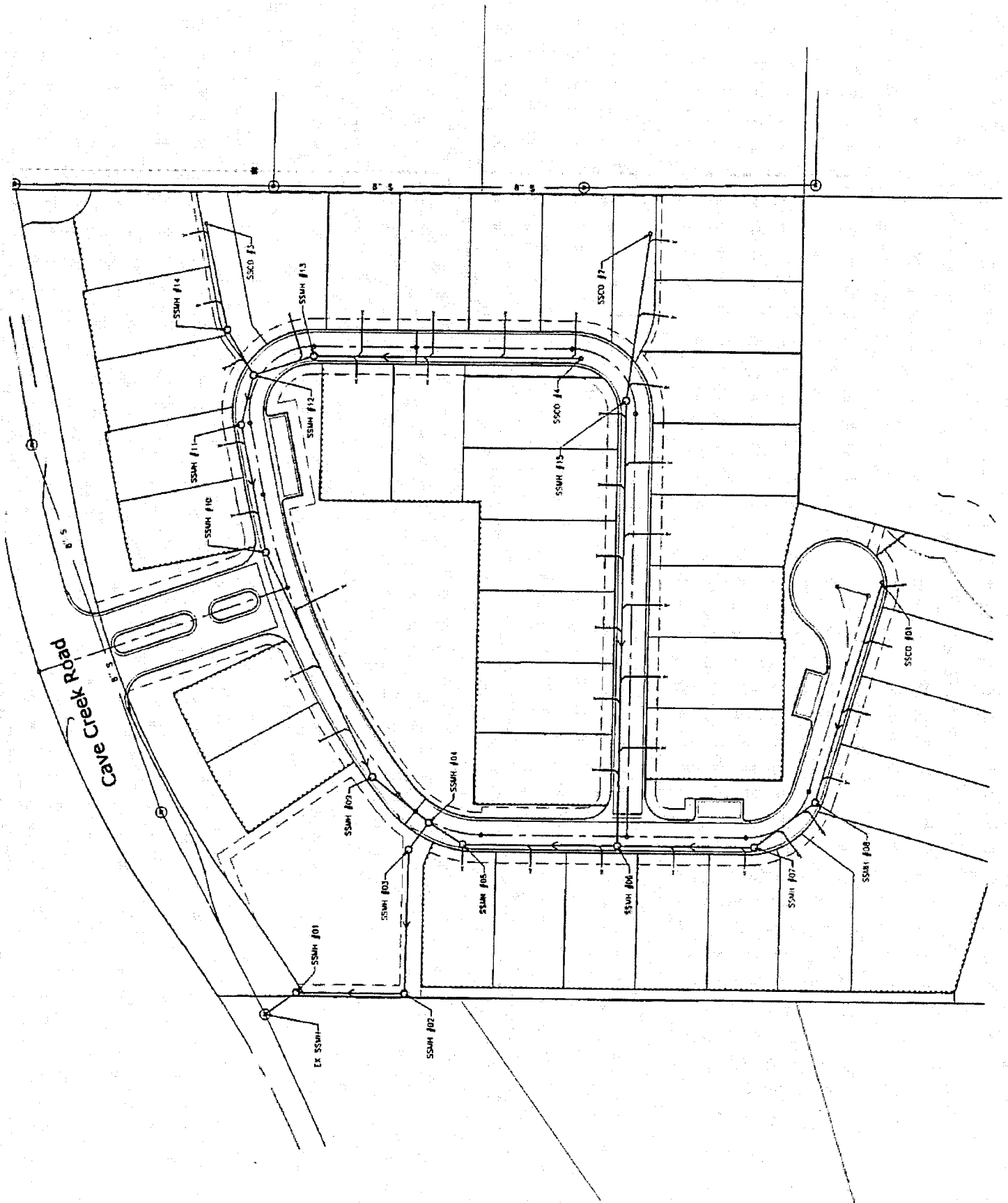
All internal lines will be sized taking into consideration prospective flows, minimum pipe sizes, and slopes. Eight inch lines with a minimum slope of 0.33% are to be used throughout Eastwood. There will be a total of approximately 1900 linear feet of 8" sewer pipe and 15 manholes and 4 sewer cleanouts.

## 6.0 Conclusions

- Liberty Utilities design standards have been met.
- All sewer lines are to be 8" and are gravity-fed, all water lines are to be 8".
- Minimum slopes for 8" pipes are 0.33%
- Sewer system will connect into an existing manhole in the 8-inch line at Cave Creek Rd.
- System will serve 39 lots.
- System will produce, at peak, 37,440 gallons of wastewater per day (0.058 cfs) into the eight-inch line at Cave Creek Rd.

**Appendix A:**

**Sewer Exhibit**





**Appendix B:**  
**Sewer Calculations**

# Average Daily Sewer Flows and Pipe Capacity Using Manning's Equation

Project: Eastwood  
 Prepared by: Nubian Larson

Date: 1/27/2015

Calculations Assume 100 GPD/capita  
 Calculations Assume 3.2 Persons/DU (1)

Sewer Pipe Information				Additional Flow Information				Peak Demand Information				Full Flow Check				Non-Pressurized Flow Calculations					
Sewer Reach	Length (ft)	Pipe Diameter (in)	Slope (ft/ft)	Manning's Roughness	Description	Additional Controlling Loss (L/s)	Other Additional Controlling Flow (GPD)	Cumulative Daily Flow (GPD)	Equivalent Population	Peaking Factor	Peak Demand (GPD)	Peak Demand (MGD)	Peak Demand (L/s)	Full Flow Capacity (L/s)	Pressurized Flow?	Mean of Flow (ft/s)	Depth of Flow (ft)	Percent Full Area of Flow (ft <sup>2</sup> )	Velocity of Flow (ft/s)	Velocity of Flow (ft/s)	
COH-MHF12		8	0.0033	0.013		7		2,240	22	3.00	6,720	0.007	0.910	0.70	NO	1.18	0.05	8%	0.0137	0.348	0.76
COF1-MHF12		8	0.0033	0.013		3		3,200	32	3.00	9,600	0.010	0.916	0.70	NO	1.28	0.06	10%	0.0172	0.420	0.87
MHF12-MHF24		8	0.0033	0.013		4	2,248	4,480	45	3.00	13,440	0.013	0.971	0.70	NO	1.39	0.06	12%	0.0226	0.483	0.92
COF1-MHF24		8	0.0033	0.013		8		5,560	56	3.00	16,680	0.016	0.912	0.70	NO	1.20	0.06	9%	0.0148	0.399	0.80
COF2-MHF24		8	0.0033	0.013		14		4,480	45	3.00	13,440	0.013	0.071	0.70	NO	1.39	0.06	12%	0.0226	0.483	0.92
MHF24-MHF24		8	0.0033	0.013		3	2,846	8,000	80	3.00	24,000	0.024	0.937	0.70	NO	1.62	0.10	18%	0.0347	0.541	1.07
MHF24-MHF24		8	0.0033	0.013			4,488	12,480	125	3.00	37,440	0.037	0.058	0.70	NO	1.88	0.13	19%	0.0459	0.600	1.26

Notes:

(1) Density per Liberty Utilities Maricopa County Development Guide



Mr. Steve Carlson, Manager of Development Services  
Liberty Utilities  
12725 West Indian School Road, Suite D-101  
Avondale, AZ 85392

Re: Brief Narrative for Eastwood, Carefree, AZ

**Keystone Homes Background**

Keystone Homes has been continuously building homes in Arizona since 1989. The company's primary geographical focus has been the Southeast Valley and far North Valley, including Carefree. Keystone's presence in the North Valley include Almarte in Carefree and our recently completed community of Rancho Madera in Cave Creek. Keystone Homes has also been active with communities in Chandler and Casa Grande.

**Introduction and Project Description**

Keystone Home's development plan for Eastwood is an exciting and unique single family home community. Eastwood will be a 39 lot, single-family community, located west of the southwest corner of Pima and Cave Creek Roads, on the in Carefree, Arizona. The project site consists of a total of approximately 9.5 gross acres (8.68 net acres). Keystone Homes has developed an attractive, themed community that embraces excellence and diversity in style. Residents will have a true sense of community with rich architectural features, and limited number of only 39 homes. Keystone Home's designs represent the latest innovations in the homebuilding industry. The company's marketing efforts for Eastwood will be targeting downsizing empty nesters.

Eastwood will be a premier, gated community with private streets, in a fantastic Carefree location, with lot sizes a minimum of approximately 5,400 square feet (5,000 square feet for lot numbers 25 - 31). Housing product will include 4 plans, ranging in size from approximately 1,800 to 2,200 square feet and will consist of only single level plans.

**Site Conditions & Brief Site Assemblage History**

Eastwood is somewhat of an infill property, situated on an irregular shaped parcel. Surrounding land uses include vacant residential land to the south and to the west, the community and private airport of Sky Ranch to the north and the eastern boundary is the Pima Norte garden offices.

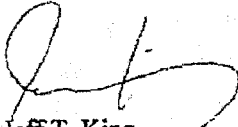
Just prior to Keystone Homes acquiring the property which will become Eastwood, there were 3 separate parcels of land owned by 3 different individuals or corporate entities. Keystone Homes is acquiring all three parcels and is currently in the process of assembling and entitling the property with the Town of Carefree. Parcel 216-26-177B was the first parcel under contract and was previously a commercially zoned (Garden Office) movie studio site. Parcel 216-26-177D was the second parcel under contract and has residential zoning and was vacant land. A portion of parcel 216-78-827 was the third parcel under contract, also has residential zoning, is a part of

a lot split of a larger parcel and also was vacant land. Keystones assemblage of the property combines the 3 separate parcels and then subdivides the land into 39 individual lots along with community tracts, open space, etc. Eastwood will be a home owners association controlled community.

Please contact me with any questions regarding this narrative for Eastwood.

Sincerely,

**KEYSTONE HOMES**

A handwritten signature in dark ink, appearing to read 'Jeff T. King', with a stylized flourish at the end.

Jeff T. King  
Vice President

## EXHIBIT 5

### Total Cost; Construction of Facilities

Construction Costs

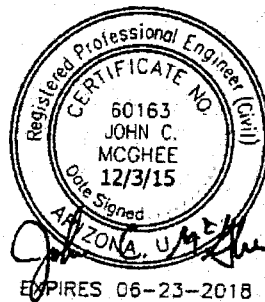
Construction Schedule

**EASTWOOD**  
CAREFREE, ARIZONA

**EASTWOOD SEWER IMPROVEMENTS**  
PROJECT NO. 15-058

**ENGINEER'S COST ESTIMATES**

<u>ITEM #</u>	<u>ITEM DESCRIPTION</u>	<u>UNIT</u>	<u>QUANTITY</u>	<u>UNIT PRICE</u>	<u>TOTAL PRICE</u>
<u><b>ONSITE SEWER IMPROVEMENTS FOR EASTWOOD</b></u>					
<b>Eastwood Sewer</b>					
1	Connect to Existing Manhole	EA	1	\$ 1,000.00	\$ 1,000.00
2	8" PVC Sewerline	LF	1,890	\$ 21.00	\$ 39,690.00
3	8" DIP Sewerline	LF	25	\$ 30.00	\$ 750.00
4	60" Sewer Manhole	EA	15	\$ 3,200.00	\$ 48,000.00
5	Sewer Cleanout	EA	4	\$ 700.00	\$ 2,800.00
6	Sewer Tap	EA	39	\$ 600.00	\$ 23,400.00
SUBTOTAL SEWER BASE BID					\$ 115,640.00
CONTINGENCY (10%)					\$ 11,564.00
<b>TOTAL EASTWOOD SEWER BASE BID</b>					<b>\$ 127,204.00</b>



**EASTWOOD  
CAREFREE, ARIZONA  
CONSTRUCTION SCHEDULE**

Clearing and Grading	March 2016 - April 2016
Sewer	May 2016
Water	June 2016
Dry Utilities	July 2016
Concrete and Paving	August 2016 - September 2016
Project Complete	September 2016

## EXHIBIT 6

### Financial Condition



2014

BLACK MOUNTAIN SEWER CORPORATION
----------------------------------

**WASTEWATER UTILITY COMPARATIVE STATEMENT OF INCOME  
AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
521	Flat Rate Revenues	\$2,217,617	\$2,218,964
522	Measured Revenues		
536	Other Wastewater Revenues	\$9,126	\$11,098
	<b>TOTAL REVENUES</b>	<b>\$2,226,742</b>	<b>\$2,230,062</b>
	<b>OPERATING EXPENSES</b>		
701	Salaries and Wages		\$228,309
710	Purchased Wastewater Treatment	\$5,684	\$5,647
711	Sludge Removal Expense		
715	Purchased Power	\$62,914	\$65,112
716	Fuel for Power Production		
718	Chemicals	\$17,410	\$19,215
720	Materials and Supplies	\$35,361	\$23,875
731	Contractual Services -- Professional	\$11,964	\$316,663
735	Contractual Services -- Testing	\$16,833	\$8,117
736	Contractual Services -- Other	\$874,476	\$361,855
740	Rents	\$35,596	\$23,807
750	Transportation Expense	\$13,415	\$15,371
755	Insurance Expense	\$16,755	\$11,720
765	Regulatory Commission Expense	\$62,249	
775	Miscellaneous Expense	\$36,897	\$58,742
403	Depreciation Expense	\$448,450	\$229,669
408	Taxes Other Than Income		
408.11	Property Taxes	\$43,908	\$47,904
409	Income Taxes		
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,681,910</b>	<b>\$1,416,004</b>
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income		
421	Non-Utility Income		\$8,893
426	Miscellaneous Non-Utility Expenses	\$(64)	
427	Interest Expense	\$50,921	(\$39,801)
	<b>TOTAL OTHER INCOME/EXPENSE</b>	<b>\$(6,913)</b>	<b>(\$30,908)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$537,919</b>	<b>\$783,150</b>

2014

## BLACK MOUNTAIN SEWER CORPORATION

WASTEWATER UTILITY BALANCE SHEET (CONTINUED)

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable		
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	\$816,701	\$385,190
235	Customer Deposits		
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	\$469,848	\$391,018
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$1,286,549</b>	<b>\$776,208</b>
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds		
	<b>DEFERRED CREDITS</b>		
252	Advances in Aid of Construction	\$2,211,453	\$1,899,656
253	Other Deferred Credits	-\$34,217	\$158,222
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	\$5,258,149	\$5,461,736
272	Less: Amortization of Contributions	\$5,070,648	\$5,073,246
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$2,364,738</b>	<b>\$2,446,368</b>
	<b>TOTAL LIABILITIES</b>	<b>\$3,651,286</b>	<b>\$3,222,576</b>
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$1,009,680	\$1,009,680
211	Other Paid in Capital	\$1,946,007	\$2,563,606
215	Retained Earnings	\$2,537,321	\$2,702,872
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	<b>\$5,493,008</b>	<b>\$6,276,158</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$9,144,294</b>	<b>\$9,498,734</b>

2014

## BLACK MOUNTAIN SEWER CORPORATION

**WASTEWATER UTILITY BALANCE SHEET**

Acct No.	ASSETS	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$(24,074)	-\$130,301
132	Special Deposits		
135	Temporary Cash Investments	\$52,928	
141	Customer Accounts Receivable		\$43,669
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	\$9,493	\$9,493
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$38,347</b>	<b>-\$77,138</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$16,051,706	\$16,165,880
103	Property Held for Future Use		
105	Construction Work in Progress	\$940,405	\$1,483,674
108	Accumulated Depreciation – Utility Plant	\$7,886,164	-\$8,073,682
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	<b>\$9,105,946</b>	<b>\$9,575,872</b>
	<b>TOTAL ASSETS</b>	<b>\$9,144,294</b>	<b>\$9,498,734</b>

NOTE: Total Assets on this page should equal Total Liabilities and Capital on the following page.

## EXHIBIT 7

### Existing Tariff

**BLACK MOUNTAIN SEWER CORPORATION**  
**NEW RATES**

Docket No. SW-02361A-08-0609

On December 19, 2008, Black Mountain Sewer Corporation ("BMSC") filed a rate application with the Arizona Corporation Commission ("Commission"). BMSC requested a rate increase that would produce a just and reasonable rate of return on the fair value of BMSC's utility plant and property. The proposed rates were thoroughly audited by Commission Staff, and a public comment session and evidentiary hearings were held. After considering all of the evidence presented, the Commission issued Decision No. 71865 ("Order") on September 1, 2010, authorizing a 43% rate increase. In its Order the Commission approved the following rates and charges, effective September 1, 2010:

<u>SEWER</u>	<u>SERVICE CHARGES</u>
Monthly service charges:	Establishment.....\$25.00
Residential Service – Per Month.....\$65.24	Re-establishment.....\$25.00
Commercial – Regular (c).....\$0.248734	Re-connection.....No Charge
Effluent Sales – Per 1,000 gallons.....\$0.460510	Minimum Deposit (Residential).....(a)
	Minimum Deposit (Non-Residential).....(a)
<b><u>OFF-SITE FACILITIES HOOK-UP FEE</u></b>	Deposit Interest.....6.00%
4 Inch Service Line \$1,734.00	NSF Check Charge.....\$10.00
6 Inch Service Line \$3,901.00	Deferred Payment Finance Charge.....1.50%
8 Inch Service Line \$6,936.00	Late Charge.....1.50%
10 Inch Service Line \$10,837.00	Off-Site Facilities Hook-Up Fee.....Per Tariff
	Main Extension Tariff (b).....Cost
	(a) Per A.A.C. R14-2-603(B):
	Residential – two times average bill;
	Non-Residential – two and one-half times average bill.
	(b) Per A.A.C. R14-2-606(B)
	(c) Per gallon per day. Wastewater flows are based on ADEQ Engineering Bulletin No. 12, in accordance with the Order.

**Notice of One-Time Debit:**

In BMSC's prior rate case, BMSC was required to refund \$833,367 to customers due to unexpended hook-up fees held by BMSC. In approximately December 2006, pursuant to Commission Decision No. 69164 (December 5, 2006), BMSC refunded \$412.15 to each customer on record. Carefree Inn Estates HOA, as one customer, received just one refund for the entire development, as opposed to 33 refunds, one for each of its 33 residents. The Commission has now ordered that each of the 33 residents of Carefree Inn Estates HOA be treated as an individual customer and provided a refund consistent with the refunds previously paid pursuant to Decision No. 69164. In order to appropriately refund the Carefree Inn Estates residents, BMSC must make corresponding debits to each customer account that received the \$412.15 refund in accordance with Decision No. 69164. This is reflected in a one-time debit in the amount of \$7.96.

**Billing Adjustments:**

Total monthly sewer and miscellaneous charges are subject to adjustment for all federal, state, and local government taxes, levies, and any assessments that may be imposed by federal or state regulatory agencies on sewer gross revenues.

If you have any questions regarding this Notice, please call BMSC at 480-488-4152 or 800-525-9547.

## EXHIBIT 8

### Five Year Annual Operating Revenue and Expenses of Extension Area

5 year Revenue & Expense Statement

5 year Incremental Balance Sheet

Tariff Settlement Comparison

Liberty Utilities (Black Mountain Sewer) Corp.  
 Eastwood CC&N Extension  
 Projected Incremental Revenues and Expenses  
 For the 12 Months Ended

Exhibit  
 Schedule 2

Line No.		1	2	3	4	5
1	Total estimated Revenues	2,240	13,850	32,089	41,985	41,985
2	Variable Expenses					
3	Pumping Power:	68	432	1,036	1,347	1,347
4	Purchased Water	8	37	80	117	117
5	Sludge Removal	20	127	306	387	387
6	Chemicals	12	76	162	237	237
7	Testing	29	181	378	497	507
8	Materials & Supplies (a)(b)	1,112	6,249	14,635	18,262	18,047
9	Billing, Postage, Operations, Insurance (a)(b)					
10						
11						
12						
13						
14	Total Variable Expenses	1,249	7,082	18,627	21,857	22,263
15	Other Expenses					
16	Depreciation net of Amortization of CIAC					
17	Legal & Accounting	1,204	1,830	1,218	1,218	1,218
18	Miscellaneous (d)(b)	500	510	620	631	641
19	Income Taxes	300	308	312	318	325
20	Property Taxes (e)	50	780	2,739	3,616	3,623
21		25	68	180	328	429
22	Total Other Expenses	2,079	3,504	4,969	6,009	6,136
23						
24						
25	Total Operating Expenses	3,327	10,586	21,596	27,867	28,399
26	Operating Income (Loss)	(1,079)	3,264	11,074	14,019	13,496
27	Less:					
28	Interest Expense Long-term Debt (c)		69	477	1,235	1,787
29	Net Income					
30						
31						
32						
33						
34	(a) Per customer per month					
35	(b) Annual Inflation of:					
36	(c) If Applicable					
37	(d) Miscellaneous Expenses of \$25 per month					
38	(e) ADOR Property Tax Calculation					
39						
40						
41						
42						

Note: Years 4 and 5 are based on present use of Boulder WWTP, not sending to Scottsdale

2.00%

Liberty Utilities (Black Mountain Sewer) Corp.  
Eastwood C&M Extension  
Projected Incremental Balance Sheets  
For the Years Ended

EXHIBIT 1  
Schedule 1

Line No.	Beginning of Year	1st Year CHANGES	2	3	4	5
1						
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49						

Assets						
Utility Plant	(6)	127,204	127,204	127,204	127,204	127,204
Accumulated Depreciation	(b)	(1,272)	(1,272)	(3,616)	(6,360)	(11,448)
Cash		8,925	8,925	40,763	82,746	95,861
Total Assets		132,857	132,857	164,351	203,590	214,251
Equity and Liabilities						
Equity						
Common Stock, Net of	(d)	-	-	-	-	-
Retained Earnings	(e)	(1,079)	(1,079)	2,263	13,804	29,058
Total Equity		-	-	2,263	13,804	29,058
Liabilities & Deferred Credits						
Advances in Aid of Construction	(f)	127,204	127,204	128,879	126,394	122,327
Contributions in Aid of Construction	(g)	-	-	35,700	66,300	66,300
Less: Amortization	(h)	8,900	8,900	(782)	(2,106)	(3,434)
Customer Deposits	(i)	-	-	-	-	-
Long-Term Debt						
Total Liabilities and Deferred Credits		133,836	133,836	161,897	189,798	185,183
Total Equity & Liab.		132,857	132,857	164,351	203,590	214,251
						224,020

(e) Plant Additions (See Schedule 1a)  
(f) Depreciation Computations (See Schedule 1a)  
(g) Change in cash (See Schedule 2)  
(h) Common Stock Issuance and/or repurchases. (See Schedule 1b)  
(i) Profit or loss from operations (See Schedule 2)  
(j) Advances in Aid of Construction (See Schedule 1a)  
(k) Contributions in Aid of Construction (See Schedule 1a)  
(l) Amortization of Contributions in Aid of Construction, if applicable (See Schedule 1a)  
(m) Security deposits (2 times average bill)



# Settlement

Liberty Utilities (Black Mountain Sewer) Corp.  
Present and Proposed Rates  
Test Year Ended December 31, 2014

Exhibit  
Settlement Schedule H-3  
Page 1  
Witness: Bourassa

Line No.		Present Rates	Proposed Rates	Dollar Change	Percent Change
1	<u>Customer Classification</u>				
2					
3	<u>Monthly Service Charge:</u>				
4	Residential, per single family unit	\$ 65.24	\$ 79.50	\$ 14.26	21.88%
5	Commercial	NT	\$ 85.00		
6	<u>Commodity Rate:</u>				
7	Commercial, per gallon per day[1]	\$ 0.24873	Remove		
8	Commercial, per 1,000 gals[2]	NT	\$ 5.120		
9					
10					
11	Effluent Charge (per 1,000 gallons)	per acre foot \$ 150.00	per acre foot 0.480512		
12	Effluent Add-on Charge	\$ 393.00	1.206073		
13	Total Effluent Charge	\$ 543.00	\$ 1.666585		See Settlement Agreement.
14					
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34					
35	NT = no tariff				
36					
37	[1] Commercial wastewater flows are based on the average daily flows set forth in Engineering Bulletin 12, Table 1				
38	published by the Arizona Department of Environmental Quality				
39	[2] Monthly water usage provided by Town of Carlsbad and City of Scottsdale.				
40					

## EXHIBIT 9

### Written Request for Service from Property Owners

November 24, 2015

Steve Carlson  
Manager of Development Services  
Liberty Utilities  
12725 W. Indian School Road, Suite D101  
Avondale, AZ 85392

RE: Eastwood  
Request for Sewer Service  
Letter of Authorization


Dear Mr. Carlson,


Uri Schumm and Carol Carpenter are the current owners of land located in Section 36, Township 6 North, Range 4 East consisting of the tax parcel number of 216-26-827.

Uri Schumm and Carol Carpenter are under contract to sell the property to Keystone at Eastwood, LLC ("Keystone"). Keystone is planning to develop the property plus two additional adjacent parcels by different owners to include 39 residential homes in a subdivision called Eastwood.

Uri Schumm, Carol Carpenter and Keystone hereby request that Liberty Utilities (Litchfield Park Water and Sewer), Corp. provide sewer service to the indicated tax parcel and include the property in the Company's planned extension of its Certificate of Convenience and Necessity for sewer services.

Uri Schumm / Carol Carpenter  
P.O. Box 2480  
Carefree, AZ 85377

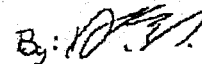
  
Uri Schumm

  
Carol Carpenter

Keystone at Eastwood, LLC  
4025 S. McClintock Dr., Suite 209  
Tempe, AZ 85282

By: KHB Fifteen, LLC

Its: Manager

By:  Rich Enheim Jr

Its: Authorized Member

November 24, 2015

Steve Carlson  
Manager of Development Services  
Liberty Utilities  
12725 W. Indian School Road, Suite D101  
Avondale, AZ 85392

RE: Eastwood  
Request for Sewer Service  
Letter of Authorization

Dear Mr. Carlson,

Carefree Garden Offices, LLC is the current owner of land located in Section 36, Township 6 North, Range 4 East consisting of the tax parcel number of 216-26-177B.

Carefree Garden Offices, LLC is under contract to sell the property to Keystone at Eastwood, LLC ("Keystone"). Keystone is planning to develop the property plus two additional adjacent parcels by different owners to include 39 residential homes in a subdivision called Eastwood.

Carefree Garden Offices, LLC and Keystone hereby request that Liberty Utilities (Litchfield Park Water and Sewer), Corp. provide sewer service to the indicated tax parcel and include the property in the Company's planned extension of its Certificate of Convenience and Necessity for sewer services.

Carefree Garden Offices, LLC  
8601 Cave Creek Road  
Carefree, AZ 85377

Keystone at Eastwood, LLC  
4025 S. McClintock Dr., Suite 209  
Tempe, AZ 85282

By: *JB Holdings Inc*

By: *KHB Fifteen, LLC*

Its: *member*  
by *John Baerling*  
*President*

Its: *Manager*

By: *J.P. Rich Ensign Jr*  
Its: *Authorized Member*

November 24, 2015

Steve Carlson  
Manager of Development Services  
Liberty Utilities  
12725 W. Indian School Road, Suite D101  
Avondale, AZ 85392

RE: Eastwood  
Request for Sewer Service  
Letter of Authorization

Dear Mr. Carlson,

Carefree Equities, LLC is the current owner of land located in Section 36, Township 6 North, Range 4 East consisting of the tax parcel number of 216-26-177D.

Carefree Equities, LLC is under contract to sell the property to Keystone at Eastwood, LLC ("Keystone"). Keystone is planning to develop the property plus two additional adjacent parcels by different owners to include 39 residential homes in a subdivision called Eastwood.

Carefree Equities, LLC and Keystone hereby request that Liberty Utilities (Litchfield Park Water and Sewer), Corp. provide sewer service to the indicated tax parcel and include the property in the Company's planned extension of its Certificate of Convenience and Necessity for sewer services.

Carefree Equities, LLC  
1712 N. Miller Road  
Scottsdale, AZ 85257

By:

*M. Latadur*

Its:

*Manager*

Keystone at Eastwood, LLC  
4025 S. McClintock Dr., Suite 209  
Tempe, AZ 85282

By: *KHB F.A. Co., LLC*

Its: *Manager*

By: *Rich Evers Jr.*

Its: *Authorized Member*

# KEYSTONE AT CAVE CREEK, LLC

May 27, 2015

Steve Carlson  
Development Service Manager  
Liberty Utilities  
12725 W. Indian School Road, Suite D101  
Avondale, AZ 85392

RE: Eastwood  
Sewer Service  
40 Lot Subdivision

Dear Mr. Carlson

This letter is a request for Liberty Utilities to provide sewer service for Eastwood, a new 40 lot subdivision in Carefree, Arizona by Keystone Homes.

Following is information for the new project:

PROJECT:	Eastwood
BUILDER/DEVELOPER:	Jeffrey King Manager Keystone at Cave Creek, LLC 4025 S. McClintock Drive, Suite 209 Tempe, AZ 85282 480-428-1001 <a href="mailto:jking@keystonehomesaz.com">jking@keystonehomesaz.com</a>
BUILDER REPRESENTATIVE:	Sandra Welty SW Land Services, LLC 11067 E. Mercer Lane Scottsdale, AZ 8525 602-694-4529 <a href="mailto:swelty@sw-landservices.com">swelty@sw-landservices.com</a>
PROJECT LOCATION:	West of Pima Road, on the south side of Cave Creek Road, Carefree, Arizona APN – 216-26-177B, 216-26-177D T6N, R4E, Section 36
PROJECT SIZE:	8.9 acres

4025 S. McClintock Drive, Suite 209, Tempe, Arizona 85282  
480-428-1001

Carefree Studio  
Page 2

PROJECT: 40 Single Family Lots  
1 pool – possible - to be determined

PRODUCT: Approximately 2,000-2,500 square feet

SERVICE REQUESTED: Residential Sewer Services

ESTIMATED DATES: Sewer Installation Start – January 2016  
Sewer Complete to Project – January 2016  
Home Connections Start – April 2016 to April 2018

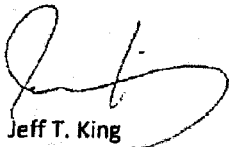
SEWER FLOWS: See attached.

LEGAL DESCRIPTION: See attached.

Please provide the Will Serve letter for this project. Please e-mail to both Jeff T. King and Sandra Welty per the above e-mails.

Any questions, please contact us.

Sincerely,



Jeff T. King  
Manager  
Keystone at Cave Creek, LLC

Enclosure

cc: Rich Eneim  
Sandra Welty  
Lisa Gari  
John McGhee

## **EXHIBIT 10**

### **Maps**

**Metes & Bounds**

**CCN Expansion Map**

**Expansion Map showing APN's**

**Map of Property Owners providing Written Request for Service**

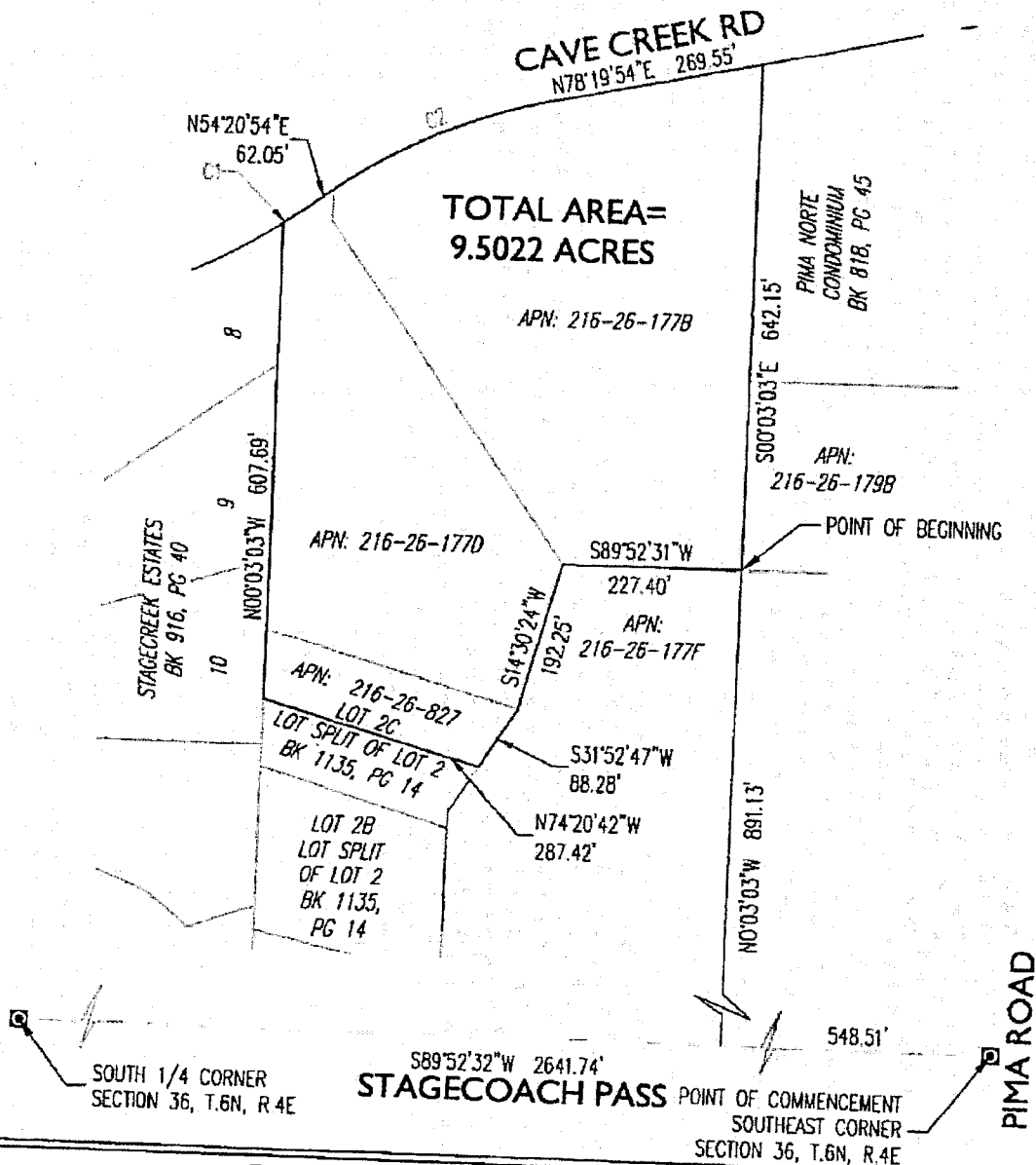
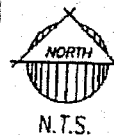
**Eastwood Facilities Map**

**Nearby Municipalities/Private Sewer Providers within 1 mile radius**

**Nearby Municipalities/Private Sewer Providers within 5 mile radius**



CURVE TABLE						
CURVE	LENGTH	RADIUS	DELTA	TANGENT	CHORD	CHORD BRG
C1	14.56'	716.20'	1°09'52"	7.28'	14.56'	N54°55'50"E
C2	299.79'	716.20'	23°59'00"	152.12'	297.61'	S66°20'24"W

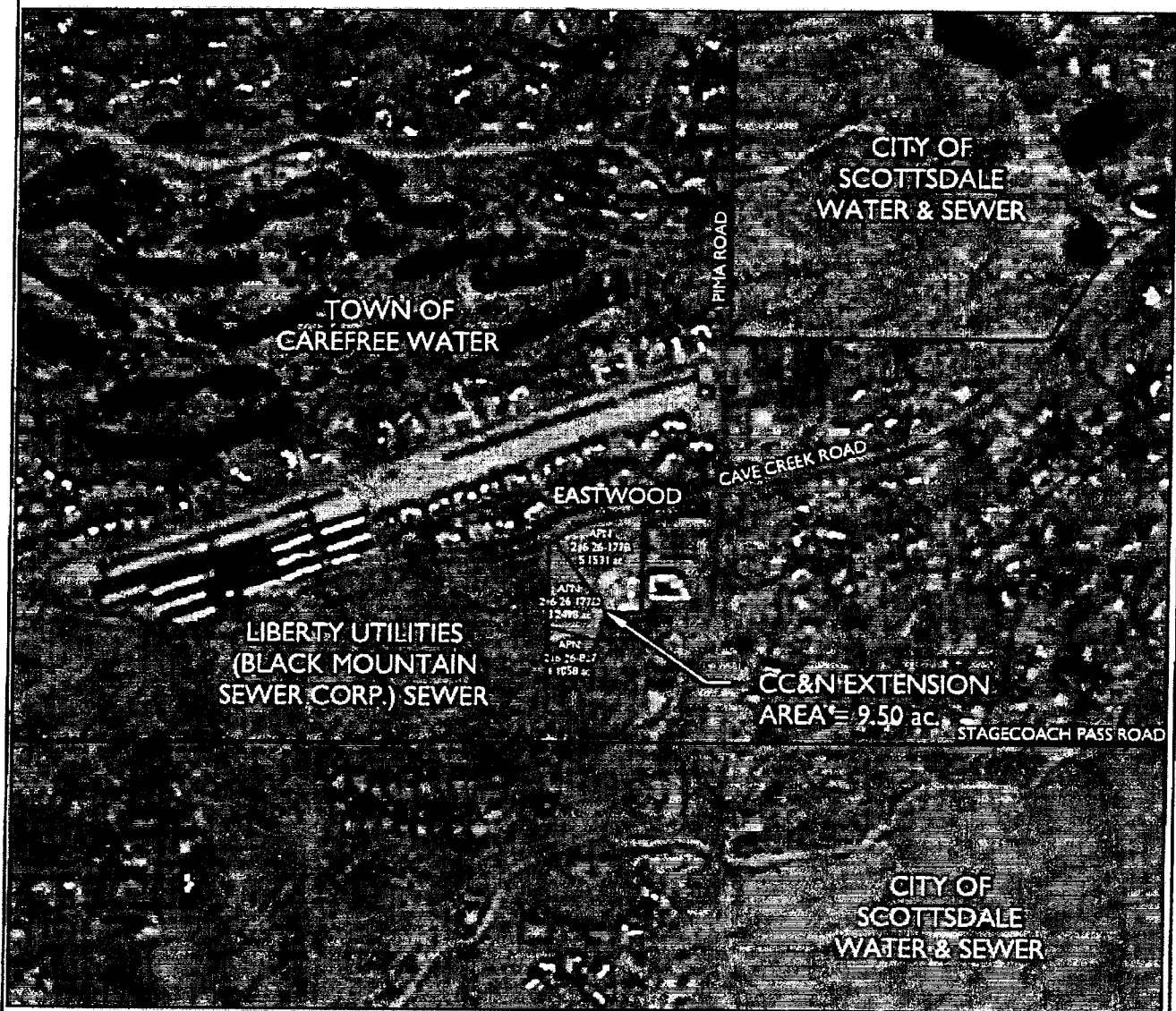


15-058

EXHIBIT - BOUNDARY MAP

EASTWOOD





CC&N Extension Area consists of three parcels. The total Extension Area is 9.50 acres. One parcel is owned by Uri Schumm and Carol Carpenter, one is owned by Carefree Equities LLC, and the last parcel is owned by Carefree Garden Offices LLC. All are under contract to Keystone at Eastwood, LLC the developer of the property.

The aforementioned owners and Keystone at Eastwood, LLC have jointly requested sewer service from Liberty Utilities (Black Mountain Sewer) Corp. by letter. There are no parcels within the Extension Area that have not requested service.

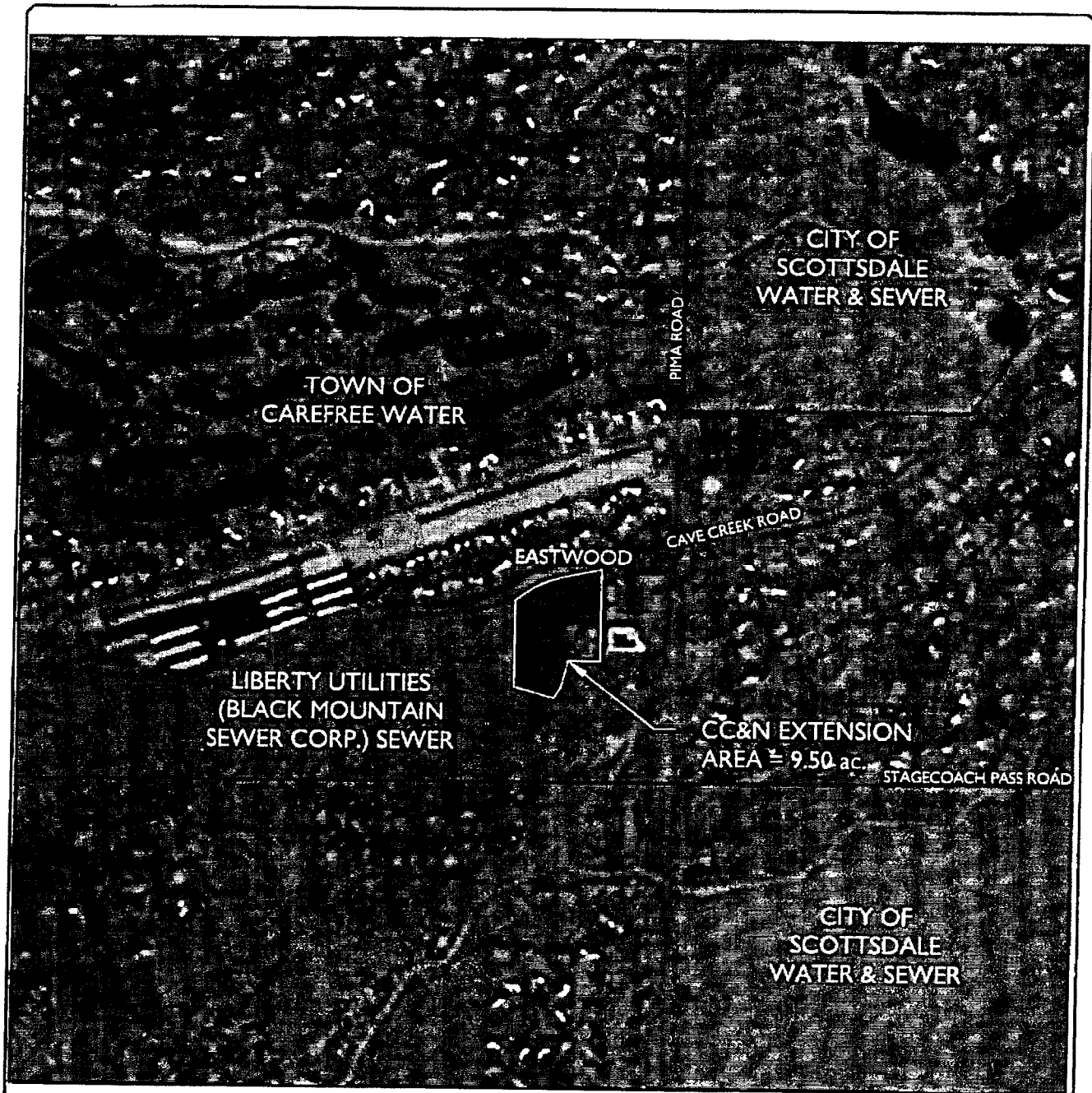
There are no existing water or sewer connections within the CC&N Extension Area.

15-058

CC&N Extension and Proposed Eastwood

Liberty Utilities (Black Mountain Sewer Co) Corp.  
Eastwood





Keystone at Eastwood, LLC is planning to develop a 9.5 acrea subdivision known as Eastwood in the CC&N Extensioin Area. Eastwood consists of 39 houses.

Keystone at Eastwood, LLC has requested rezoning for R-3 Residential Unit Planned Development (RUPD). R-3 RUPD allows for single family detached and residential subdivisions.

15-058

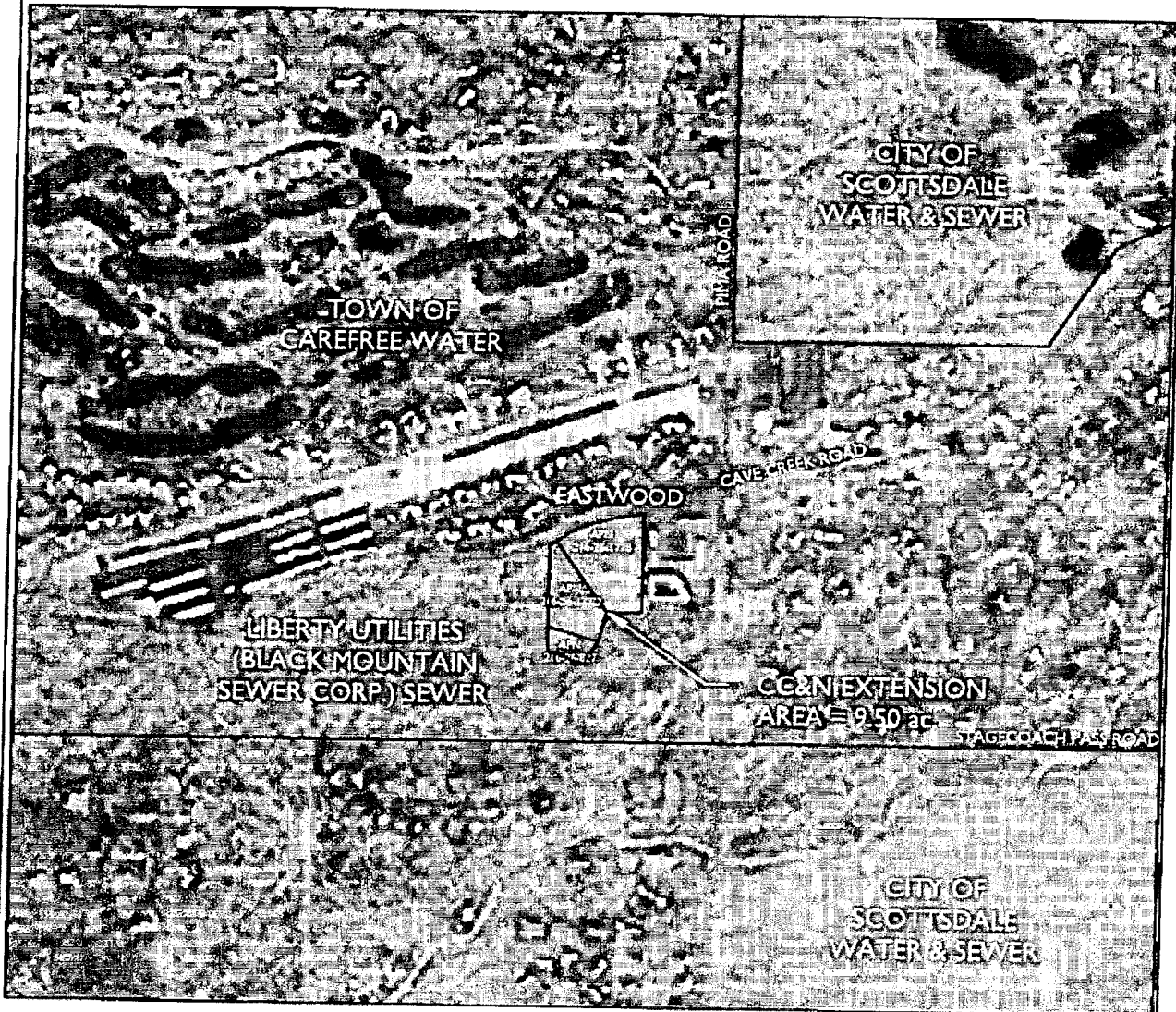
CC&N Extension and Proposed Eastwood

Liberty Utilities (Black Mountain Sewer Co) Corp.  
Eastwood



CC&N Extension Area consists of three parcels.

Uri Shumm/Carol Carpenter - 216-26-827 - 1.1058 Acres  
Carefree Garden Office, LLC - 216-26-177B - 5.1531 Acres  
Carefree Equities, LLC - 216-26-177D - 3.2498 Acres



The aforementioned owners and Keystone at Eastwood, LLC have jointly requested sewer service from Liberty Utilities (Black Mountain Sewer) Corp. by letter. There are no parcels within the Extension Area that have not requested service.

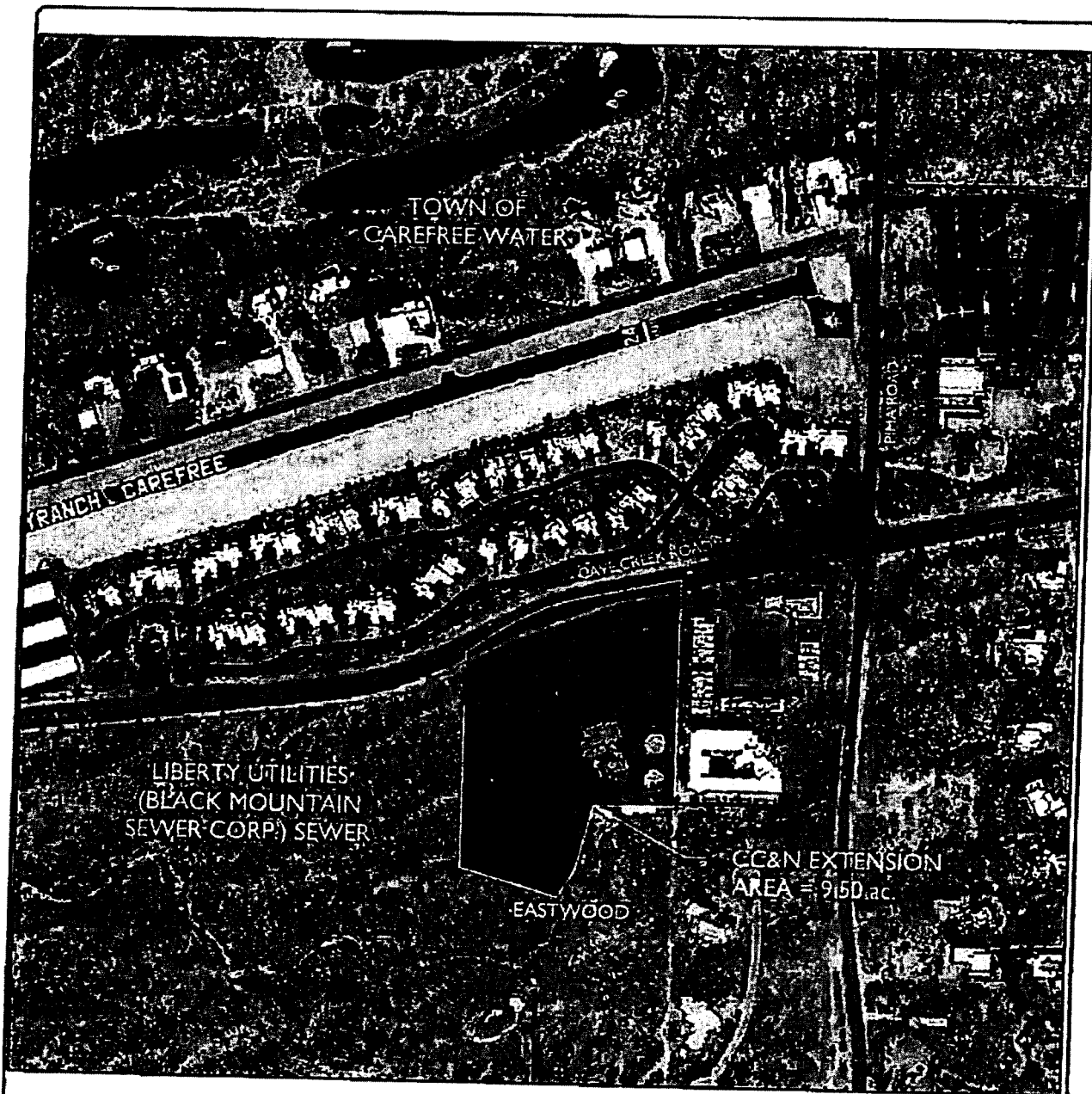
There are no existing water or sewer connections within the CC&N Extension Area.

15-058

CC&N Extension and Proposed Eastwood

Liberty Utilities (Black Mountain Sewer Co) Corp.  
Eastwood





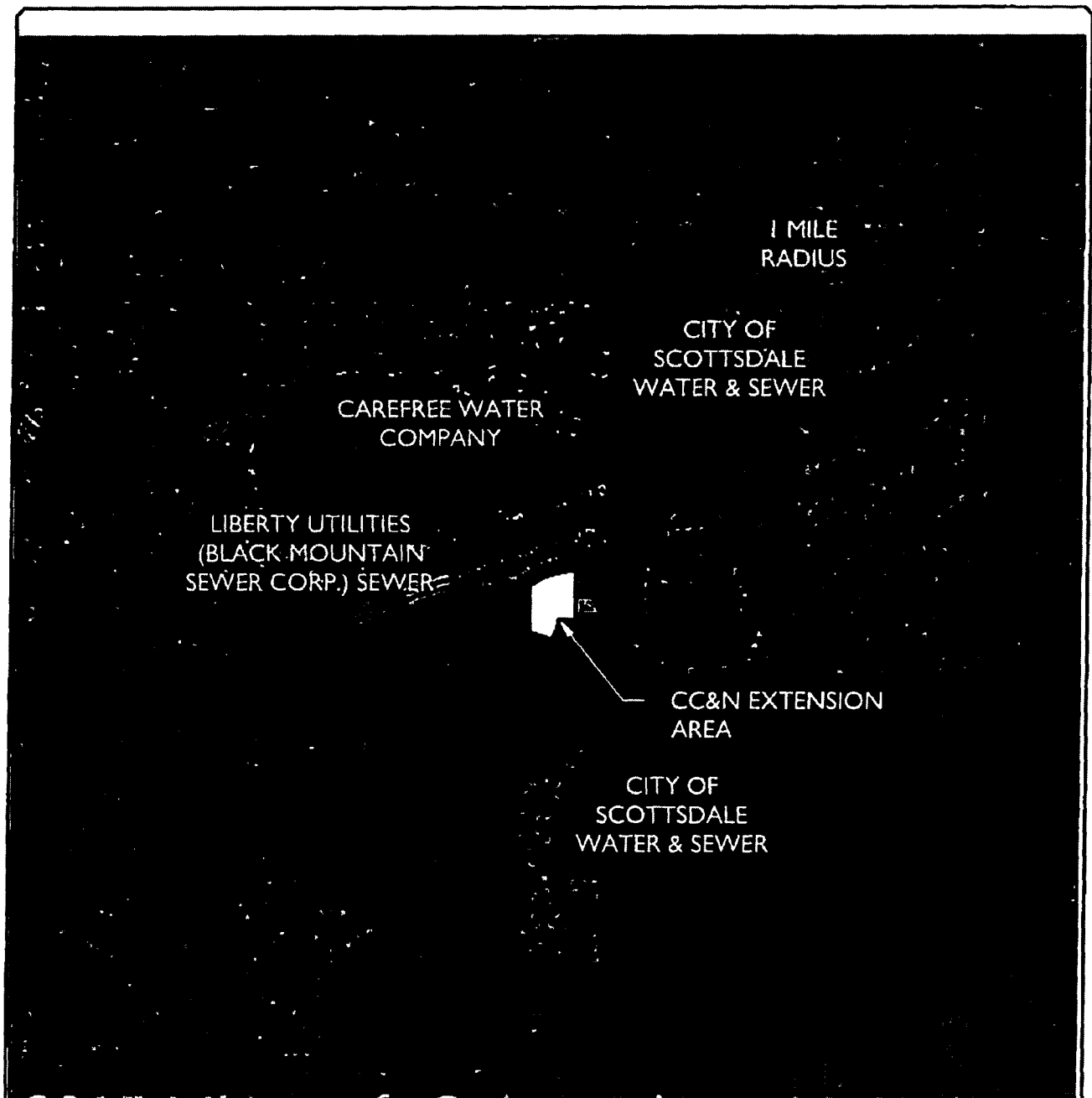
### LEGEND

- PROPOSED 8" SEWER
- EXISTING 8" SEWER

15-058

Proposed Sewer System and Principal Components  
 Liberty Utilities (Black Mountain Sewer Co) Corp.  
 Eastwood





The CC&N Extension Area is part of the Town of Carefree. The extension area is in the Carefree Water Company and Liberty Utilities Sewer(Black Mountain Sewer Corp) Company's service areas. Carefree Water Company will provide the water and Liberty Utilities Sewer Corp will provide the sewer service for the extension area.

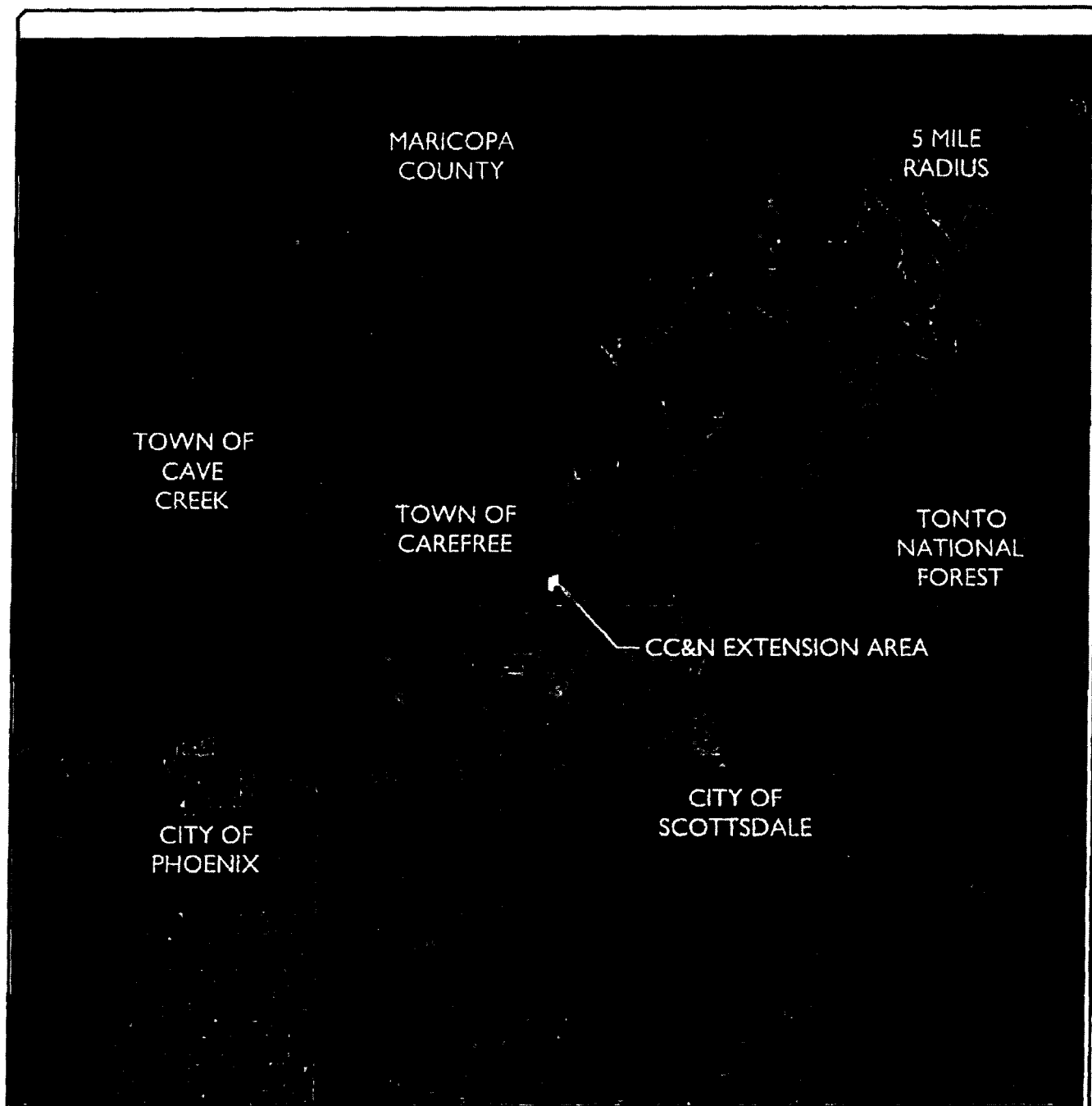
Also within one mile is the City of Scottsdale Water and Sewer Service Area.

15-058

CC&N Extension and Nearby Service Areas

Liberty Utilities (Black Mountain Sewer Co) Corp.  
Eastwood





The CC&N Extension Area is part of the Town of Carefree. The extension area is southwest of the intersection of Pima Road and Cave Creek Road.

Also within five miles is the Town of Cave Creek, the City of Scottsdale, the City of Phoenix, the Tonto National Forest, and unincorporated Maricopa County.

15-058

CC&N Extension and Nearby Municipalities

Liberty Utilities (Black Mountain Sewer Co) Corp.  
Eastwood



## **EXHIBIT 11**

### **Form of Notice to be sent to Municipalities within 5 miles**





**Liberty Utilities®**  
WATER | GAS | ELECTRIC

**Notice Required Pursuant to R14-2-602.B.4**  
**Request for Extension of Certificate of Convenience and Necessity**  
**Filed by Liberty Utilities (Black Mountain Sewer) Corp.**

Pursuant to A.A.C. R14-2-602.B.4, Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty") hereby provides notice that Liberty has filed an application with the Arizona Corporation Commission to extend Liberty's Certificate of Convenience and Necessity (CC&N) to provide wastewater utility service to the CC&N Extension Area set forth below. The requested Extension Area is located within five miles of your municipality's corporate limits. The specific notice requirements are as follows:

**Applicant Name, Mailing Address and Telephone Number**

Liberty Utilities (Black Mountain Sewer) Corp.  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392  
623-935-9367

**Date Application was Filed**

The CC&N Extension Application was filed on \_\_\_\_\_, 2016

**Type of Service to be Provided**

Wastewater Service

**A Description of Requested Service Extension Area**

Eastwood is an approximately 9.5 acre property generally located by Cave Creek Road to the north and west of Pima Road. The Eastwood property lies within Section 36 of Township 6 North, Range 4 East of the Gila and Salt River Meridian (the "Property").

**Commission Docket Number**

ACC Docket No. SW-01428A-16-\_\_\_\_

**Instructions on How to Obtain a Copy of Application**

The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, and at Liberty Utilities, 12725 W. Indian School Road, Suite D-101, Avondale, AZ 85392. In addition, Liberty will provide a printed copy or electronic copy of the application upon request.

## EXHIBIT 12

### Number of Estimated Customers for first 5 years

**Liberty Utilities (Black Mountain Sewer) Corp.**  
**Eastwood Project**  
**Customer Projections (Absorptions)**

**Line  
No.**

<b>1</b>	<b>Customer Additions:</b>	<u><b>Year 1</b></u>	<u><b>Year 2</b></u>	<u><b>Year 3</b></u>	<u><b>Year 4</b></u>	<u><b>Year 5</b></u>
<b>2</b>	<b>Residential</b>	<b>4</b>	<b>17</b>	<b>18</b>	<b>0</b>	<b>0</b>
<b>3</b>						
<b>4</b>	<b>Cumulative Customers:</b>	<u><b>Year 1</b></u>	<u><b>Year 2</b></u>	<u><b>Year 3</b></u>	<u><b>Year 4</b></u>	<u><b>Year 5</b></u>
<b>5</b>	<b>Residential</b>	<b>4</b>	<b>21</b>	<b>39</b>	<b>39</b>	<b>39</b>

## EXHIBIT 13

### Aquifer Protection Permit



Janet Napolitano  
Governor

# ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007  
(602) 771-2300 • www.adeq.state.az.us



Stephen A. Owens  
Director

July 11, 2003

Trevor Hill, CEO & Chairman  
One Carefree Place  
Box 731, Suite A2  
36800 N. Sidewinder Dr.  
Carefree, AZ 85377

*Rob Kufci*  
**COPY**

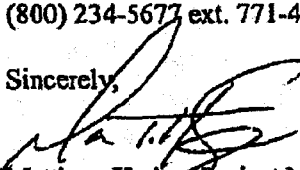
**Re: Black Mountain Sewer Corporation Wastewater Treatment Plant (WWTP)  
Signed Aquifer Protection Permit (APP), File No. 100351**

Dear Mr. Hill,

Enclosed is a signed APP with Executive Summary for the above referenced facility. The permit conditions shall apply from July 8, 2003 which is the date of the Water Quality Division Director's signature, and shall be valid for the life of the facility. Thank you for your cooperation in protecting the water quality of the State of Arizona.

If you have any questions about this permit or need further assistance, please contact me at (800) 234-5677 ext. 771-4743 or at (602) 771-4743.

Sincerely,

  
Matthew Hodge, Project Manager  
Wastewater, Recharge, & Reuse Unit  
Water Permits Section, Water Quality Division

cc: Asif Majeed, Manager, Wastewater, Recharge, & Reuse Unit  
Robert Casey, Manager, Enforcement Unit, Water Quality Compliance Section  
Don Shroyer, Manager, Data Unit, Water Quality Compliance Section  
Lynne Dekarske, Administrative Assistant, Water Permits Section (letter only)

Enclosures (4)

MWR03:0606

Northern Regional Office  
1515 East Cedar Avenue • Suite F • Flagstaff, AZ 86004  
(928) 779-0313

Southern Regional Office  
400 West Congress Street • Suite 433 • Tucson, AZ 85701  
(520) 628-6733

Printed on recycled paper

**EXECUTIVE SUMMARY**  
**AQUIFER PROTECTION PERMIT NO. 100351**  
**PERMIT FOR WASTEWATER TREATMENT PLANT**

**Facility Name:**

Black Mountain Wastewater Treatment Plant (WWTP)

**Facility Location:**

The Black Mountain Wastewater Treatment Plant is located in Carefree, Arizona in Maricopa county, over groundwater of the Phoenix Active Management Area, in Township 5 North, Range 4 East, Section 2 of the Gila and Salt River Base Line and Meridian.

**Regulatory Status:**

This is an existing facility that has been in operation since 1969. An application for an Aquifer Protection Permit (APP) was received on February 26, 1999.

**Facility Description:**

The Black Mountain Wastewater Treatment Plant (WWTP) is an existing 120,000 gallon per day (gpd) extended aeration wastewater treatment plant. The WWTP consists of 4 parallel trains. Each train is a 40,000 gpd aeration basin that discharges the effluent to the clarifier. The effluent is then filtered and chlorinated in a contact basin and pumped to the golf course ponds and used for irrigation under a valid reclaimed water permit. The sludge is aerobically digested and pumped to the Scottsdale Sewer Collection System. The WWTP is designed and constructed according to plans approved by Maricopa County.

In addition to the APP permit conditions pertaining to treatment and disposal of sewage sludge, the permittee must also comply with the requirements for sewage sludge disposal in 40 Code of Federal Regulations (CFR) Part 503 and 18 A.A.C. Ch. 9, Art. 10. Violations of 40 CFR 503 and 18 A.A.C. Ch. 9, Art. 10 do not constitute violations of this permit.

The WWTP will produce Class A reclaimed water that will be in conformance with the Reclaimed Water Standards (A.A.C Title 18, Chapter 11, article 3).

**Best Available Demonstrated Control Technology (BADCT):**

The Wastewater Treatment Plant is designed to meet the treatment performance criteria for existing facilities as specified in Arizona Administrative Code R18-9-B205.

**EXECUTIVE SUMMARY  
AQUIFER PROTECTION PERMIT NO. 100351  
PERMIT FOR WASTEWATER TREATMENT PLANT**

**Compliance with Aquifer Water Quality Standards (AWQS):**

The facility performs discharge monitoring and is required to be in compliance with AWQS. Depth to groundwater at the site is 138 feet beneath the wastewater treatment plant. As a result the AWQS are not expected to be violated at the at the point of compliance.

**Point of Compliance:**

The Point of Compliance is established by the following monitoring location:

Location	Latitude	Longitude
West of WWTP	33° 48' 30" N	111° 55' 05" W

**Storm/Surface Water Considerations:**

The WWTP is outside the 100 year flood zone.

**Zoning Requirements:**

The permittee has provided the zoning information required pursuant to A.A.C. R18-9-A201(A)(2)(c).

**Financial Capability:**

The permittee has provided the financial capability information required pursuant to Rule R18-9-A203.

**Technical Capability:**

The permittee has provided the technical capability information required pursuant to Rule R18-9-A202

**STATE OF ARIZONA**  
**AQUIFER PROTECTION PERMIT NO. P- 100351**  
**LTF ID 11175 PLACE ID 6393**

**1.0 AUTHORIZATION**

In compliance with the provisions of Arizona Revised Statutes (A.R.S.) Title 49, Chapter 2, Articles 1, 2 and 3, Arizona Administrative Code (A.A.C.) Title 18, Chapter 9, Articles 1 and 2, A.A.C. Title 18, Chapter 11, Article 4 and amendments thereto, and the conditions set forth in this permit, Black Mountain Sewer Corporation is hereby authorized to operate the Black Mountain Wastewater Treatment Plant located in Carefree, Arizona in Maricopa county, over groundwater of the Phoenix Active Management Area, in Township 5 North, Range 4 East, Section 2 of the Gila and Salt River Base Line and Meridian.

This permit becomes effective on the date of the Water Quality Division Director's signature and shall be valid for the life of the facility provided that the facility is constructed, operated, and maintained:

1. following all the conditions of this permit including the design and operational information documented or referenced below, and
2. such that Aquifer Water Quality Standards are not violated at the applicable point(s) of compliance set forth below.

**1.1 PERMITTEE INFORMATION**

<b>Facility Name:</b>	Black Mountain Wastewater Treatment Plant	
<b>Permittee:</b>	<b>Mailing Address:</b>	<b>Facility's Street Address:</b>
Black Mountain Sewer Corporation	One Carefree Place Box 731, Suite A2 36800 N. Sidewinder Dr. Carefree, AZ 85377	1038 Boulder Dr. Carefree, AZ 85377

**Facility Contact:** Graham Symmonds, Utility Manager

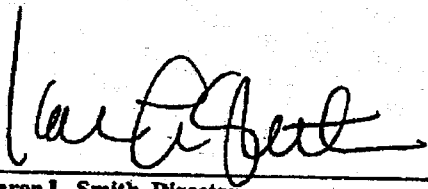
**Emergency Telephone Number:** (480) 488-4152

**Latitude:** 33° 48' 20" N

**Longitude:** 111° 55' 01" W

**Legal Description:** Township 5 North, Range 4 East, Section 2 of the Gila and Salt River Base Line and Meridian.

**1.2 AUTHORIZING SIGNATURE**

  
\_\_\_\_\_  
**Karen L. Smith, Director**  
Water Quality Division  
Arizona Department of Environmental Quality  
Signed this 4th day of July, 2003



**2.0 SPECIFIC CONDITIONS** [A.R.S. §§ 49-203(4), 49-241(A)]

**2.1 Facility / Site Description** [A.R.S. § 49-243(K)(8)]

The Black Mountain Wastewater Treatment Plant (WWTP) is an existing 120,000 gallon per day (gpd) extended aeration wastewater treatment plant. The WWTP consists of 4 parallel trains. Each train is a 40,000 gpd aeration basin that discharges the effluent to the clarifier. The effluent is then filtered and chlorinated in a contact basin and pumped to the golf course ponds and used for irrigation under a valid reclaimed water permit. The sludge is aerobically digested and pumped to the Scottsdale Sewer Collection System. The WWTP is designed and constructed according to plans approved by Maricopa County.

In addition to the APP permit conditions pertaining to treatment and disposal of sewage sludge, the permittee must also comply with the requirements for sewage sludge disposal in 40 Code of Federal Regulations (CFR) Part 503 and 18 A.A.C. Ch. 9, Art. 10. Violations of 40 CFR 503 and 18 A.A.C. Ch. 9, Art. 10 do not constitute violations of this permit.

The WWTP will produce Class A reclaimed water that will be in conformance with the Reclaimed Water Standards (A.A.C Title 18, Chapter 11, article 3).

The materials authorized to be disposed of through the wastewater treatment plant are typical household sewage and pre-treated commercial wastewater and shall not include motor oil, gasoline, paints, varnishes, hazardous wastes, solvents, pesticides, fertilizers or other materials not generally associated with toilet flushing, food preparation, laundry facilities and personal hygiene.

The site includes the following permitted discharging facilities:

Facility	Latitude	Longitude
Wastewater Treatment Plant	33° 48' 20" N	111° 55' 01" W

**2.2 Best Available Demonstrated Control Technology**  
[A.R.S. § 49-243(B) and A.A.C. R18-9-A202(A)(5)]

The Wastewater Treatment Plant is designed to meet the treatment performance criteria for existing facilities as specified in Arizona Administrative Code R18-9-B205.

**2.2.1 Engineering Design**

Stamped and scaled As-Built plans, dated July 1, 1991, were used as the basis for design of the existing facility.

**2.2.2 Site-specific Characteristics**

Not Applicable.

**2.2.3 Pre-Operational Requirements**

Not applicable, because the WWTP is already in operation.

**2.2.4 Operational Requirements**

1. A copy of the new Operation and Maintenance (O & M) manual shall be maintained at the WWTP site at all times and shall be available upon request during inspections by ADEQ personnel.

2. The pollution control structures shall be inspected for the items listed in Section 4.0, TABLE III - FACILITY INSPECTION (OPERATIONAL MONITORING).
3. If any damage to the pollution control structures is identified during inspection, proper repair procedures shall be performed. All repair procedures and material(s) used shall be documented on the Self-Monitoring Report Form submitted quarterly to the ADEQ Water Quality Compliance Section.

**2.3 Discharge Limitations** [A.R.S. §§ 49-201(14), 49-243 and A.A.C. R18-9-A205(B)]

The permittee is authorized to operate the Black Mountain WWTP with a maximum monthly average flow of 0.120 million gallons per day (MGD).

**2.4 Point(s) of Compliance (P.O.C.)** [A.R.S. § 49-244]

The Point of Compliance is established by the following monitoring location:

West of WWTP	33° 48' 30" N	111° 55' 05" W
--------------	---------------	----------------

Monitoring requirements for each P.O.C. are listed in Section 4.0, TABLE II.

The Director may designate additional points of compliance if information on groundwater gradients or groundwater usage indicates the need.

**2.5 Monitoring Requirements** [A.R.S. § 49-243(K)(1), A.A.C. R18-9-A206(A)]

All monitoring required in this permit shall continue for the duration of the permit, regardless of the status of the facility. All sampling, preservation and holding times shall be in accordance with currently accepted standards of professional practice. Trip blanks, equipment blanks and duplicate samples shall also be obtained, and chain of custody procedures shall be followed, in accordance with currently accepted standards of professional practice. The permittee shall consult the most recent version of the ADEQ Quality Assurance Project Plan (QAPP) and EPA 40 CFR PART 136 for guidance in this regard. Copies of laboratory analyses and chain of custody forms shall be maintained at the permitted facility. Upon request these documents shall be made immediately available for review by ADEQ personnel.

**2.5.1 Discharge Monitoring**

The permittee shall monitor the wastewater according to Section 4.0, TABLE I. A representative sample of the wastewater shall be collected at the point of discharge, from the contact basin to the golf course ponds.

**2.5.2 Facility / Operational Monitoring**

Operational monitoring inspections shall be conducted according to Section 4.0, TABLE III.

- a. If any damage of the pollution control structures is identified during inspection, proper repair procedures shall be performed. All repair procedures and materials used shall be documented on the Self-Monitoring Report Form (SMRF) submitted quarterly to the ADEQ Water Quality Compliance. If none of the conditions occur, the report shall say "no event" for a particular reporting period. If the facility is not in operation, the permittee shall indicate that fact in the SMRF.

- b. The permittee shall submit data required in Section 4.0, TABLE III regardless of the operating status of the facility unless otherwise approved by the Department or allowed in this permit.

**2.5.3 Groundwater Monitoring and Sampling Protocols**

Routine groundwater monitoring is not required under the terms of this permit.

**2.5.4 Surface Water Monitoring and Sampling Protocols**

Not Applicable. No surface water monitoring is required.

**2.5.5 Analytical Methodology**

All samples collected for compliance monitoring shall be analyzed using Arizona state approved methods. If no state approved method exists, then any appropriate EPA approved method shall be used. Regardless of the method used, the detection limits must be sufficient to determine compliance with the regulatory limits of the parameters specified in this permit. Analyses shall be performed by a laboratory licensed by the Arizona Department of Health Services, Office of Laboratory Licensure and Certification. For results to be considered valid, all analytical work shall meet quality control standards specified in the approved methods. A list of Arizona state certified laboratories can be obtained at the address below:

Arizona Department of Health Services  
Office of Laboratory Licensure and Certification  
1740 W. Adams Street, Room 203 North  
Phoenix, AZ 85007  
Phone: (602) 364-0720

**2.5.6 Installation and Maintenance of Monitoring Equipment**

Monitoring equipment required by this permit shall be installed and maintained so that representative wastewater, groundwater, soil, water, or sludge samples can be collected. Should new groundwater wells be determined to be necessary, the construction details shall be submitted to the ADEQ Water Permits Section for approval.

**2.6 Contingency Plan Requirements**

[A.R.S. § 49-243(K)(3), (K)(7) and A.A.C. R18-9-A204 and R18-9-A205]

**2.6.1 General Contingency Plan Considerations**

At least one copy of the approved contingency and emergency response plan(s) shall be maintained at the location where day-to-day decisions regarding the operation of the facility are made. The facility permittee shall be aware of and follow the contingency and emergency plans.

Any alert level (AL) that is exceeded or any violation of an aquifer quality limit (AQL), discharge limit (DL), or other permit condition shall be reported to ADEQ following the reporting requirements in Section 2.7.3.

Some contingency actions involve verification sampling. Verification sampling shall consist of the first followup sample collected from a location that previously indicated a violation or that an AL has been exceeded. Collection and analysis of the verification sample shall use the same protocols and test methods to analyze for the pollutant or pollutants that exceeded an AL or violated an AQL.

**2.6.2 Exceeding of Alert Levels/ Performance Levels**

**2.6.2.1 Exceeding of Performance Levels (PL) Set for Operational Conditions**

1. If the operational PL set in Section 4.0, TABLE III has been exceeded the permittee shall
  - a. Notify the ADEQ Water Quality Compliance Section within five (5) days of becoming aware of a violation of any permit condition.
  - b. Submit a written report within thirty (30) days after becoming aware of a violation of a permit condition. The report shall document all of the following:
    1. A description of the violation and its cause;
    2. the period of violation, including exact date(s) and time(s), if known, and the anticipated time period during which the violation is expected to continue;
    3. any action taken or planned to mitigate the effects of the violation, or the spill, or to eliminate or prevent recurrence of the violation;
    4. any monitoring activity or other information which indicates that any pollutants would be reasonably expected to cause a violation of an Aquifer Water Quality Standard; and
    5. any malfunction or failure of pollution control devices or other equipment or process.
2. The facility is no longer on alert status once the operational indicator no longer indicates that an PL is being exceeded. The permittee shall, however, complete all tasks necessary to return the facility to its pre-alert operating condition.

**2.6.2.2 Exceeding of Alert Levels Set for Discharge Monitoring**

1. If an AL set in Section 4.0, TABLE I has been exceeded, the permittee shall conduct verification sampling within 24 hours of becoming aware of the alert status.
2. If the verification sampling confirms that the AL has been exceeded, the permittee shall immediately investigate to determine the cause of the AL being exceeded. The investigation shall include the following:
  - a. Inspection, testing, and assessment of the current condition of all treatment or pollutant discharge control systems that may have contributed to the AL being exceeded.
  - b. Review of recent process logs, reports, and other operational control information to identify any unusual occurrences
3. The permittee shall initiate actions identified in the approved contingency plan referenced in Part 5.0 and specific contingency measures identified in Part 2.6 to resolve any problems identified by the investigation which may have led to an AL being exceeded. To implement any other corrective action the permittee shall obtain prior approval from ADEQ according to Section 2.6.6.

4. Within thirty (30) days after confirmation of an AL being exceeded, the permittee shall submit the laboratory results to the ADEQ Water Quality Compliance Section, Data Unit, along with a summary of the findings of the investigation, the cause of the AL being exceeded, and actions taken to resolve the problem.
5. Upon review of the submitted report, the Department may require additional monitoring, increased frequency of monitoring, amendments to permit conditions or other actions.

**2.6.2.3 Exceeding of Alert Levels in Groundwater Monitoring**

**2.6.2.3.1 Alert Levels for Indicator Parameters**

Not Applicable.

**2.6.2.3.2 Alert Levels for Pollutants with Numeric Aquifer Water Quality Standards**

Not Applicable.

**2.6.2.3.3 Alert Levels to Protect Downgradient Users from Pollutants Without Numeric Aquifer Water Quality Standards**

Not Applicable.

**2.6.3 Discharge Limitations (DL) Violations**

1. If a DL set in Section 4.0, TABLE I has been exceeded, the permittee shall conduct verification sampling within 24 hours of becoming aware of a DL being exceeded.
2. If verification sampling confirms that the DL has been violated, the permittee shall immediately investigate to determine the cause of the violation. The investigation shall include the following:
  - a. Inspection, testing, and assessment of the current condition of all treatment or pollutant discharge control systems that may have contributed to the violation;
  - b. Review of recent process logs, reports, and other operational control information to identify any unusual occurrences;
3. The permittee also shall submit a report according to Section 2.7.3, which includes a summary of the findings of the investigation, the cause of the violation, and actions taken to resolve the problem. The permittee shall consider and ADEQ may require corrective action that may include control of the source of discharge, cleanup of affected soil, surface water or groundwater, and mitigation of the impact of pollutants on existing uses of the aquifer. Corrective actions shall either be specifically identified in this permit, included in an ADEQ approved contingency plan, or separately approved according to Section 2.6.6.
4. Upon review of the submitted report, the Department may require additional monitoring, increased frequency of monitoring, amendments to permit conditions or other actions.

**2.6.4 Aquifer Quality Limit (AQL) Violation**

Not Applicable.

**2.6.5 Emergency Response and Contingency Requirements for Spills and Unauthorized Discharges**

**2.6.5.1 Duty to Respond**

The permittee shall act immediately to correct any condition that could pose an endangerment to public health or the environment.

**2.6.5.2 Spills of Hazardous Substances or Toxic Pollutants**

In the event of any accidental spill or unauthorized discharge (A.R.S. § 49-201(12)) of suspected hazardous substances (A.R.S. § 49-201(18)) or toxic pollutants (A.R.S. § 49-243(I)) on the facility site, the permittee shall promptly isolate the area and attempt to identify the spilled material. The permittee shall record information, including name, nature of exposure and follow-up medical treatment, if necessary, on persons who may have been exposed during the incident. Spilled materials, absorbents, and contaminated media generated during emergency response shall be removed and disposed of according to applicable federal, state and local regulations. The emergency response coordinator shall notify the ADEQ Emergency Response Unit at (602) 771-2330 immediately upon discovering a release of a hazardous substance in excess of a reportable quantity in accordance with 40 CFR Part 302, *et seq.*

**2.6.5.3 Discharge of Non-hazardous Materials**

In the event of any unauthorized discharge of non-hazardous materials from the facility, the permittee shall promptly attempt to cease the discharge and isolate the discharged material. Discharged material shall be removed and the site cleaned up as soon as possible. The permittee shall notify the ADEQ Water Quality Field Services Unit at (602) 771-4841 within 24-hours upon discovering the discharge of non-hazardous material which: a) has the potential to cause an AQL to be exceeded; or b) could pose an endangerment to public health or the environment.

**2.6.5.4 Reporting Requirements**

The permittee shall submit a written report for any unauthorized discharges described in Sections 2.6.5.2 and 2.6.5.3 to ADEQ Water Quality Field Services Unit, Mail Code: 5415B-1, 1110 West Washington Street, Phoenix, AZ within thirty days of the discharge or as required by subsequent ADEQ action. The report shall summarize the event, including any human exposure, and facility response activities and include all information specified in Section 2.7.3. If a notice is issued by ADEQ subsequent to the discharge notification, any additional information requested in the notice shall also be submitted within the time frame specified in that notice. Upon review of the submitted report, ADEQ may require additional monitoring or corrective actions.

**2.6.6 Corrective Actions**

Specific contingency measures identified in Part 2.6 have already been approved by ADEQ and do not require written approval to implement.

With the exception of emergency response actions taken under Section 2.6.5, the permittee shall obtain written approval from the Water Permits Section prior to implementing a corrective action to accomplish any of the following goals in response to exceeding an AL or violation of an AQL, DL, or other permit condition:

1. Control of the source of an unauthorized discharge;

2. Soil cleanup;
3. Cleanup of affected surface waters;
4. Cleanup of affected parts of the aquifer;
5. Mitigation to limit the impact of pollutants on existing uses of the aquifer.

Within 30 days of completion of any corrective action, the operator shall submit to the ADEQ Water Quality Compliance Section, a written report describing the causes, impacts, and actions taken to resolve the problem.

**2.7 Reporting and Recordkeeping Requirements**  
**[A.R.S. § 49-243(K)(2) and A.A.C. R18-9-A206(B) and R18-9-A207]**

**2.7.1 Self Monitoring Report Forms (SMRF)**

1. The permittee shall complete the SMRFs provided by ADEQ, and submit them to the Water Quality Compliance Section, Data Unit.
2. The permittee shall complete the SMRF to the extent that the information reported may be entered on the form. If no information is required during a quarter, the permittee shall enter "not required" on the SMRF and submit the report to ADEQ. The permittee shall use the format devised by ADEQ.
3. The tables contained in Sections 4.0 list the parameters to be monitored and the frequency for reporting results for groundwater compliance monitoring. Monitoring methods shall be recorded on the SMRFs.
4. In addition to the SMRF, the information contained in Section 6.9.3 shall be included for exceeding an AL or violation of an AQL, DL, or any other permit condition being reported in the current reporting period.

**2.7.2 Operation Inspection / Log Book Recordkeeping**

A signed copy of this permit shall be maintained at all times at the location where day-to-day decisions regarding the operation of the facility are made. A log book of the inspections and measurements required by this permit shall be maintained at the location where day-to-day decisions are made regarding the operation of the facility. The log book shall be retained for ten years from the date of each inspection, and upon request, the permit and the log book shall be made immediately available for review by ADEQ personnel. The information in the log book shall include, but not be limited to, the following information as applicable:

1. name of inspector;
2. date and shift inspection was conducted;
3. condition of applicable facility components;
4. any damage or malfunction, and the date and time any repairs were performed;
5. documentation of sampling data and time;
6. names of samples;

7. static water level in monitor well prior to sampling;
8. sampling method;
9. purging volume;
10. indicator parameters including field conductance ( $\mu\text{mhos/cm}$ ), field temperature ( $^{\circ}\text{C}$ ), and field pH (standard units);
11. date of analysis;
12. preservation and transportation procedures;
13. the name of the analytical facility, and;
14. any other information as specified by this permit to be entered in the log book.

#### 2.7.3 Permit Violation and Alert Level Status Reporting

1. The permittee shall notify the Water Quality Compliance Section, Enforcement Unit in writing within five days (except as provided in Section 2.6.5) of becoming aware of a violation of any permit condition, discharge limitation or of an Alert Level being exceeded.
2. The permittee shall submit a written report to the Water Quality Compliance Section, Enforcement Unit within 30 days of becoming aware of the violation of any permit condition or discharge limitation. The report shall document all of the following:
  - a. Identification and description of the permit condition for which there has been a violation and a description of its cause.
  - b. The period of violation including exact date(s) and time(s), if known, and the anticipated time period during which the violation is expected to continue.
  - c. Any corrective action taken or planned to mitigate the effects of the violation, or to eliminate or prevent a recurrence of the violation.
  - d. Any monitoring activity or other information which indicates that any pollutants would be reasonably expected to cause a violation of an Aquifer Water Quality Standard.
  - e. Proposed changes to the monitoring which include changes in constituents or increased frequency of monitoring.
  - f. Description of any malfunction or failure of pollution control devices or other equipment or processes.

#### 2.7.4 Operational, Other or Miscellaneous Reporting

The permittee shall complete the Self-Monitoring Report Form provided by the Department to reflect facility inspection requirements designated in Section 4.0, TABLE III and submit to the ADEQ, Water Quality Compliance quarterly along with other reports required by this permit. Facility inspection reports shall be submitted no less frequently than quarterly, regardless of operational status.

The permittee shall submit the results of water quality testing for total nitrogen, fecal coliform, turbidity and flow volumes to any of the following in accordance with A.A.C. R18-9-



703(C)(2)(c):

1. Any reclaimed water agent who has contracted for delivery of reclaimed water from the permittee;
2. Any end user who has not waived interest in receiving this information.

**2.7.5 Reporting Location**

All SMRFs shall be submitted to:

Arizona Department of Environmental Quality  
Water Quality Compliance Section, Data Unit  
Mail Code: 5415B-1  
1110 W. Washington Street  
Phoenix, AZ 85007  
Phone (602) 771-4681

All documents required by this permit to be submitted to the Water Quality Compliance Section shall be directed to:

Water Quality Compliance Section, Enforcement Unit  
Mail Code: 5415B-1  
1110 W. Washington Street  
Phoenix, AZ 85007  
Phone (602) 771-4614

All documents required by this permit to be submitted to the Water Permits Section shall be directed to:

Arizona Department of Environmental Quality  
Water Permits Section  
Mail Code: 5415B-3  
1110 W. Washington Street  
Phoenix, AZ 85007  
Phone (602) 771-4428

**2.7.6 Reporting Deadline**

The following table lists the quarterly report due dates:

January-March	April 30
April-June	July 30
July-September	October 30
October-December	January 30

**2.7.7 Changes to Facility Information in Section 1.0**

The Water Permits Section and Water Quality Compliance Section shall be notified within 10 days of any change of facility information including Facility Name, Permittee Name, Mailing or Street Address, Facility Contact Person or Emergency Telephone Number.

**2.8 Temporary Cessation [A.R.S. § 49-243(K)(8) and A.A.C. R18-9-A209(A)]**

The permittee shall give written notice to the Water Quality Compliance Section upon ceasing operation of the facility for a period of 60 days or greater. The permittee shall take the following measures upon temporary cessation:

1. If applicable, direct the wastewater flows from the facility to another State approved wastewater treatment facility.
2. Correct the problem that caused the temporary cessation of the facility.
3. Notify ADEQ with a monthly facility Status Report describing the activities conducted on the WWTP to correct the problem

At the time of notification the permittee shall submit for ADEQ approval a plan for maintenance of discharge control systems and for monitoring during the period of temporary cessation. Immediately following ADEQ's approval, the permittee shall implement the approved plan. If necessary, ADEQ shall amend permit conditions to incorporate conditions to address temporary cessation. If the facility will cease operation, the permittee shall submit closure notification, as set forth in Section 2.9 below.

**2.9 Closure [A.R.S. §§ 49-243(K)(6), 49-252 and A.A.C. R18-9-A209(B)]**

The permittee shall give written notice of closure to the Water Quality Compliance Section before closing, or before ceasing use of a facility addressed under this permit if the cessation is projected to last more than three years.

Within 90 days following notification of closure, the permittee shall submit for approval to the Water Permits Section, a detailed Closure Plan which meets the requirements of A.R.S. § 49-252 and A.A.C. 18-9-A209(B)(1)(a).

If the closure plan achieves clean closure immediately, ADEQ shall issue a letter of approval to the permittee. If the closure plan contains a schedule for bringing the facility to a clean closure configuration at a future date, ADEQ may incorporate any part of the schedule as an amendment to this permit.

Upon completion of closure activities, the permittee shall give written notice to the Water Permits Section indicating that the approved Closure Plan has been implemented fully. If clean closure has been achieved, ADEQ shall issue a letter of approval to the permittee at that time. If any of the following conditions apply, the permittee shall follow the terms of Post Closure stated in this permit:

1. Clean closure cannot be achieved at the time of closure notification or within one year thereafter under a diligent schedule of closure actions;
2. Further action is necessary to keep the facility in compliance with aquifer water quality standards at the applicable point of compliance;
3. Continued action is required to verify that the closure design has eliminated discharge to the extent intended;
4. Remedial or mitigative measures are necessary to achieve compliance with Title 49, Ch. 2;

5. Further action is necessary to meet property use restrictions.

**2.9.1 Closure Plan**

A specific closure plan is not required at the time of permit issuance.

**2.9.2 Closure Completion**

Not required at the time of permit issuance.

**2.10 Post-Closure [A.R.S. §§ 49-243(K)(6), 49-252 and A.A.C. R18-9 A209(C)]**

Post-closure requirements shall be established based on a review of facility closure actions and will be subject to review and approval by the Water Permits Section.

In the event clean closure cannot be achieved pursuant to A.R.S. § 49-252, the permittee shall submit for approval to the Water Permits Section a Post-Closure Plan that addresses post-closure maintenance and monitoring actions at the facility. The Post-Closure Plan shall meet all requirements of A.R.S. §§ 49-201(29) and 49-252 and A.A.C. R18-9-A209(C). Upon approval of the Post-Closure Plan, this permit shall be amended or a new permit shall be issued to incorporate all post-closure controls and monitoring activities of the Post-Closure Plan.

**2.10.1 Post-Closure Plan**

A specific post-closure plan is not required at the time of permit issuance.

**2.10.2 Post-Closure Completion**

Not required at the time of permit issuance.

## 3.0 COMPLIANCE SCHEDULE [A.R.S. § 49-243(C)(5) and A.A.C. R18-9-A206]

Description	Completion/Submittal Date	Comments
Completion Report	Submit 30 days after completion of construction.	After the new sewer line is installed within the property of the WWTP, the permittee shall submit a completion report to ADEQ for the project file.

#### 4.0 TABLES OF MONITORING REQUIREMENTS

TABLE 1  
DISCHARGE MONITORING

Sampling Point Number	Sampling Point Identification	Latitude		Longitude	
1	Point of discharge from the contact basin to the golf course ponds.	33° 48' 20" N		111° 55' 01" W	
Parameter (class A)	AL <sup>1</sup>	DL <sup>2</sup>	Units	Sampling Frequency	Reporting Frequency
Flow	Reserved	Reserved <sup>3</sup>	MGD <sup>4</sup>	Daily <sup>5</sup>	Quarterly
Flow: Average Monthly	0.114	0.120	MGD	Monthly <sup>6</sup>	Quarterly
Fecal Coliform (single sample maximum)	Reserved	23	CFU or MPN <sup>7</sup>	Daily <sup>8</sup>	Quarterly
Fecal Coliform (4 of last 7 samples)	Reserved	non-detect <sup>9</sup>	CFU or MPN	Weekly (Calculated)	Quarterly
Total Nitrogen <sup>10</sup> : 5-sample rolling geometric mean.	Reserved	Reserved	mg/l	Monthly	Quarterly

- <sup>1</sup> AL = Alert Level.
- <sup>2</sup> DL = Discharge Limit.
- <sup>3</sup> Reserved = No limits are specified.
- <sup>4</sup> MGD = Million Gallons per Day.
- <sup>5</sup> Flow shall be measured using a continuous recording flow meter.
- <sup>6</sup> Monthly = Calculated value = Average of daily flows in a month.
- <sup>7</sup> CFU=Colony Forming Units per 100 ml. MPN = Most Probable Number
- <sup>8</sup> Daily = Every day on which a sample can practicably be obtained and delivered in sufficient time for proper analysis, provided that no less than four samples in each calendar week are obtained and analyzed.
- <sup>9</sup> If at least four (4) out of the last seven (7) samples are non-detect, report "yes" in the appropriate space on the SMRF (indicating that the standard has been met). However, if at least four (4) out of the last seven (7) samples have detections of fecal coliform, report "no" in the appropriate space on the SMRF (indicating that the standard has not been met). For MPN, a value of <2.2 shall be considered to be non-detect.
- <sup>10</sup> Total Nitrogen is equal to nitrate as N plus nitrite as N plus TKN.

4.0 TABLES OF MONITORING REQUIREMENTS

TABLE 1  
DISCHARGE MONITORING (continued)

Enteric Virus (4 of the last 7 samples)	Reserved	Non-detect	PFU/40L <sup>11</sup>	Monthly/ Suspended <sup>12</sup>	Quarterly
Turbidity (maximum at any time)	Reserved	5	NTU <sup>13</sup>	Daily <sup>14</sup>	Quarterly
Turbidity (24-hour average)	Reserved	2	NTU	Daily	Quarterly

<sup>11</sup> PFU = Plaque Forming Units per 40 liters.

<sup>12</sup> Enteric virus sampling shall resume only if two(2) consecutive turbidity limits are exceeded. Monthly enteric virus monitoring shall continue until four (4) out of seven (7) consecutive sample results show no detection. During times when enteric virus sampling is suspended, enter "suspended" in the appropriate space on the SMRF.

<sup>13</sup> NTU = Nephelometric Turbidity Units. Appropriate technology for turbidity monitoring shall be an instrument with a signal averaging time not exceeding 120 seconds. Occasional spikes in the turbidity measurement due to back-flushing or an instrument malfunction will not be considered an exceedance. An exceedance must be explained and submitted to the Department with the corresponding quarterly SMRF.

<sup>14</sup> Means continuous readings 24-hours per day; to be reported as the highest number recorded in each 24-hour period.

4.0 TABLES OF MONITORING REQUIREMENTS

TABLE 1  
DISCHARGE MONITORING (continued)

Parameter	AL	DL	Units	Sampling Frequency	Reporting Frequency
<b>Metals (Total):</b>					
Antimony	0.0048	0.006	mg/l	Quarterly	Quarterly
Arsenic	0.04	0.05	mg/l	Quarterly	Quarterly
Barium	1.60	2.00	mg/l	Quarterly	Quarterly
Beryllium	0.0032	0.004	mg/l	Quarterly	Quarterly
Cadmium	0.004	0.005	mg/l	Quarterly	Quarterly
Chromium	0.08	0.1	mg/l	Quarterly	Quarterly
Cyanide (As free cyanide)	0.16	0.2	mg/l	Quarterly	Quarterly
Fluoride	3.2	4.0	mg/l	Quarterly	Quarterly
Lead	0.04	0.05	mg/l	Quarterly	Quarterly
Mercury	0.0016	0.002	mg/l	Quarterly	Quarterly
Nickel	0.08	0.1	mg/l	Quarterly	Quarterly
Selenium	0.04	0.05	mg/l	Quarterly	Quarterly
Thallium	0.0016	0.002	mg/l	Quarterly	Quarterly

## 4.0 TABLES OF MONITORING REQUIREMENTS

TABLE I  
DISCHARGE MONITORING (continued)

Parameter	AL	DL	Units	Sampling Frequency	Reporting Frequency
<b>Volatile Organic Compounds (VOCs):</b>					
Benzene	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
Carbon tetrachloride	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
o-Dichlorobenzene	480.0	600.0	ug/l	Semi-Annually	Semi-Annually
para-Dichlorobenzene	60.0	75.0	ug/l	Semi-Annually	Semi-Annually
1,2-Dichloroethane	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
1,1-Dichloroethylene	5.6	7.0	ug/l	Semi-Annually	Semi-Annually
cis-1,2-Dichloroethylene	56.0	70.0	ug/l	Semi-Annually	Semi-Annually
trans-1,2-Dichloroethylene	80.0	100.0	ug/l	Semi-Annually	Semi-Annually
Dichloromethane	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
1,2-Dichloropropane	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
Ethylbenzene	560.0	700.0	ug/l	Semi-Annually	Semi-Annually
Hexachlorobenzene	0.8	1.0	ug/l	Semi-Annually	Semi-Annually
Monochlorobenzene	80.0	100.0	ug/l	Semi-Annually	Semi-Annually
Pentachlorophenol	0.8	1.0	ug/l	Semi-Annually	Semi-Annually
Styrene	80.0	100.0	ug/l	Semi-Annually	Semi-Annually
Tetrachloroethylene	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
Toluene	800.0	1000.0	ug/l	Semi-Annually	Semi-Annually
Trihalomethanes (total) <sup>15</sup>	80.0	100.0	ug/l	Semi-Annually	Semi-Annually
1,1,1-Trichloroethane	160.0	200.0	ug/l	Semi-Annually	Semi-Annually
1,2,4 - Trichlorobenzene	56.0	70.0	ug/l	Semi-Annually	Semi-Annually
1,1,2 - Trichloroethane	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
Trichloroethylene	4.0	5.0	ug/l	Semi-Annually	Semi-Annually
Vinyl Chloride	1.6	2.0	ug/l	Semi-Annually	Semi-Annually
Xylenes (Total)	8000.0	10,000.0	ug/l	Semi-Annually	Semi-Annually

<sup>15</sup> Total trihalomethanes comprises of bromoform, bromodichloromethane, chloroform, and dibromochloromethane.



## 4.0 TABLES OF MONITORING REQUIREMENTS

TABLE II  
GROUNDWATER MONITORING  
NOT REQUIRED

TABLE III  
FACILITY INSPECTION (OPERATIONAL MONITORING)

Pollution Control Structures/Parameter	Performance Levels	Inspection Frequency
Pump Integrity	Good Working Condition	Weekly
Treatment Plant Components	Good Working Condition	Weekly
Bank Integrity	No Visible Erosion	Monthly

**5.0 REFERENCES AND PERTINENT INFORMATION**

The terms and conditions set forth in this permit have been developed based upon the information contained in the following, which are on file with the Department:

1. APP Application dated February 26, 1999
2. Public Notice, dated October 24, 2002
3. Public Hearing, dated February 11, 2003
4. Responsiveness Summary, dated February 24, 2003
5. Contingency plan was submitted with application, dated February 26, 1999

## 6.0 GENERAL CONDITIONS AND RESPONSIBILITIES

### 6.1 Annual Registration Fees

The permittee shall pay an Annual Registration Fee to ADEQ. The Annual Registration Fee is based upon the amount of daily influent or discharge of pollutants in gallons per day as established by A.R.S. § 49-242(D). This fee is payable to ADEQ by January 31, each year.

### 6.2 Duty to Comply [A.R.S. §§ 49-221 through 263]

The permittee shall comply with all conditions of this permit and all applicable provisions of Title 49, Chapter 2, Articles 1, 2 and 3 of the Arizona Revised Statutes, Title 18, Chapter 9, Articles 1 through 4, and Title 18, Chapter 11, Article 4 of the Arizona Administrative Code. Any permit non-compliance constitutes a violation and is grounds for an enforcement action pursuant to Title 49, Chapter 2, Article 4 or permit modification, suspension, or revocation.

### 6.3 Duty to Provide Information [A.R.S. §§ 49-243(K)(2) and 49-243(K)(8)]

The permittee shall furnish to the Director, or an authorized representative, within a time specified, any information which the Director may request to determine whether cause exists for amending or terminating this permit, or to determine compliance with this permit. The permittee shall also furnish to the Director, upon request, copies of records required to be kept by this permit.

### 6.4 Severability [A.R.S. § 49-243(K)(8)]

The provisions of this permit are severable, and if any provision of this permit, or the application of any provision of this permit to any circumstance, is held invalid, the application of such provision to other circumstances, and the remainder of this permit, shall not be affected thereby.

### 6.5 Proper Operation and Maintenance [A.R.S. § 49-243(K)(8)]

The permittee shall, at all times, properly operate and maintain all facilities, treatment processes, and discharge control systems which are installed or used by the permittee to achieve compliance with the terms and conditions of this permit.

### 6.6 Compliance with Aquifer Water Quality Standards [A.R.S. §§ 49-243(B)(2) and 49-243(B)(3)]

The permittee shall not cause or contribute to a violation of an aquifer water quality standard at the applicable point of compliance for the facility. Where, at the time of issuance of the permit, an aquifer already exceeds an aquifer water quality standard for a pollutant, the permittee shall not discharge that pollutant so as to further degrade, at the applicable point of compliance for the facility, the water quality of any aquifer for that pollutant.

### 6.7 Technical and Financial Capability

[A.R.S. §§ 49-243(K)(8) and 49-243(N) and A.A.C. R18-9-A202(B) and R18-9-A203(E) and (F)]

The permittee shall have and maintain the technical and financial capability necessary to fully carry out the terms and conditions of this permit. Any bond, insurance policy, trust fund, or other financial assurance mechanism provided as a demonstration of financial capability in the permit application, pursuant to A.A.C. R18-9-A203(D), shall be in effect prior to any discharge authorized by this permit and shall remain in effect for the duration of the permit.

**6.8 Reporting of Bankruptcy or Environmental Enforcement [A.A.C. R18-9-A207(C)]**

The permittee shall notify the Director within five days after the occurrence of any one of the following:

1. The filing of bankruptcy by the permittee.
2. The entry of any order or judgment not issued by the Director against the permittee for the enforcement of any environmental protection statute or rule.

**6.9 Monitoring and Records [A.R.S. § 49-243(K)(8) and A.A.C. R18-9-A206]**

The permittee shall conduct any monitoring activity necessary to assure compliance with this permit, with the applicable water quality standards established pursuant to A.R.S. §§ 49-221 and 49-223 and §§ 49-241 through 49-252.

1. Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.
2. The permittee shall retain records of all monitoring information, including copies of all reports required by this permit and records of all data used to complete the application for this permit, for a period of 10 years from the date of the sample, measurement report, or application. This period may be extended by request of the Director at any time.
3. At a minimum, records of monitoring information shall include:
  - a. The date, time, and exact place of sampling or measurements
  - b. The individual(s) who performed the sampling or measurements
  - c. The date(s) analyses were performed
  - d. The individual(s) who performed the analyses
  - e. The analytical techniques or methods used
  - f. The results of such analyses
  - g. The chain of custody records, and
  - h. Any field notes relating to the information described in (a) - (g) above.

**6.10 Other Information [A.R.S. § 49-243(K)(8)]**

Where the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or in any report to the Director, the permittee shall promptly submit the correct facts or information.

**6.11 Inspection and Entry [A.R.S. §§ 49-203(B) and 49-243(K)(8)]**

The permittee shall allow the Director, or an authorized representative, upon the presentation of credentials and other documents as may be required by law, to enter and inspect the facility as reasonably necessary to ensure compliance with Title 49, Chapter 2, Article 3 of the Arizona Revised Statutes, and Title 18, Chapter 9, Articles 1 through 4 of the Arizona Administrative Code and the terms and conditions of this permit. In so doing, the Department representative may:

1. Enter upon the operator's premises where a regulated facility or activity is located or conducted, or locations where records must be kept under the conditions of this permit.
2. Have access to and copy, at reasonable times, any records required to be kept under the conditions

of this permit.

3. Inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices, or operations regulated or required under this permit.
4. Sample or monitor at reasonable times, for the purposes of assuring permit compliance, any substances or parameters at any location.
5. Take photographs or video tape.
6. Take other actions reasonably necessary to determine compliance with Aquifer Protection Permit statutes or rules or the terms and conditions of this permit.

**6.12 Duty to Modify [A.R.S. § 49-243(K)(8)]**

The permittee shall apply for and receive a written amendment before deviating from any of the designs or operational practices authorized by this permit.

**6.13 Permit Action: Amendment, Transfer, Suspension & Revocation  
[A.R.S. §§ 49-201, 49-241 through 251, A.A.C. R18-9-A211, R18-9-A212 and R18-9-A213]**

This permit may be amended, transferred, renewed, or revoked for cause, under the rules of the Department. The filing of a request by the permittee for a permit action does not stay or suspend the effectiveness of any existing permit condition. The Director shall issue a public notice of all proposed permit actions pursuant to A.A.C. R18-9-A211, R18-9-A212 and R18-9-A213.

**6.13.1 Permit Reopen**

The Director may reopen this permit and amend it pursuant to A.A.C. R18-9-A211.

**6.13.2 Permit Transfer**

This permit may not be transferred to any other person except after notice to and approval of the transfer by the Department. No transfer will be approved until the applicant complies with all transfer requirements as specified in A.A.C. R18-9-A212(B) and (C).

The permittee shall notify the Water Permits Section in writing within 15 days after any change in the owner or operator of the facility. The notification shall state the permit number, the name of the facility, the date of property transfer, and the name, address, and phone number where the new owner or operator can be reached. The operator shall advise the new owner or operators of the terms of this permit and the need for permit transfer in accordance with the rules.

## EXHIBIT 14

### Wastewater Use Data Sheet

**Black Mountain  
Wastewater Flows  
January - December 2015**

	<b>Black Mtn. Total Flows</b>	<b>Black Mtn. Total Peak Day</b>	<b>Total Monthly Black Mtn Plant</b>	<b>Total Monthly City of Scottsdale</b>	<b>Peak Day Black Mtn Plant</b>	<b>Peak day City of Scottsdale</b>
January	12,080,000	498,000	3,384,000	8,696,000	135,000	363,000
February	11,489,000	488,000	3,356,000	8,133,000	138,000	350,000
March	13,161,000	551,000	3,718,000	9,443,000	176,000	375,000
April	11,628,000	474,000	3,545,000	8,083,000	147,000	327,000
May	10,873,000	459,000	3,493,000	7,380,000	147,000	312,000
June	9,600,000	402,000	3,383,000	6,217,000	146,000	256,000
July	9,876,000	384,000	3,514,000	6,362,000	128,000	256,000
August	9,699,000	369,000	3,663,000	6,036,000	136,000	233,000
September	9,420,000	386,000	3,420,000	6,000,000	135,000	251,000
October	10,644,000	401,000	3,702,000	6,942,000	138,000	263,000
November	10,218,000	416,000	3,272,000	6,946,000	122,000	294,000
December	10,469,000	676,000	2,811,000	7,658,000	105,000	571,000

**EXHIBIT 15**


**Notarized Signature**



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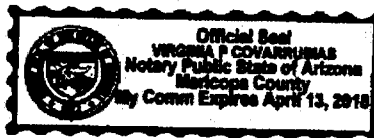
1. I am a resident of Maricopa County, over 18 years of age, and make this affidavit based on my own personal knowledge.

3. The Application for an Extension of Liberty's existing wastewater CC&N, to which this affidavit is attached, was prepared under my supervision.

  
Steve Carlson

Virginia P. Covarrubias  
Notary Public

April 13, 2018



ORIGINAL

1 SHAPIRO LAW FIRM, P.C.  
2 Jay L. Shapiro (No. 014650)  
3 1819 E. Morten Avenue, Suite 280  
4 Phoenix, Arizona 85020  
5 Telephone (602) 559-9575

Arizona Corporation Commission

DOCKETED

MAY 23 2016

6 LIBERTY UTILITIES  
7 Todd C. Wiley (No. 015358)  
8 12725 W. Indian School Road  
9 Suite D-101  
10 Avondale, AZ 85392  
11 Telephone: (623) 240-2087

DOCKETED BY *KK*

12 Attorneys for Liberty Utilities (Black Mountain Sewer) Corp.

13 **BEFORE THE ARIZONA CORPORATION COMMISSION**

14 IN THE MATTER OF THE APPLICATION  
15 OF LIBERTY UTILITIES (BLACK  
16 MOUNTAIN SEWER) CORP. FOR  
17 APPROVAL OF AN EXTENSION OF A  
18 CERTIFICATE OF CONVENIENCE AND  
19 NECESSITY TO PROVIDE WASTEWATER  
20 UTILITY SERVICE IN MARICOPA  
21 COUNTY, ARIZONA.

DOCKET NO: SW-02361A-16-0067

**RESPONSE TO STAFF REPORT**

22 Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain" or  
23 "Company") hereby submits this Response to Staff Report in the above-captioned matter.

24 Attached as **Exhibit 1** is Liberty Black Mountain's Operating Agreement (the  
25 "Agreement") with the Town of Carefree ("Town"), dated March 29, 2006. The  
26 Agreement was executed in compliance with Decision No. 64748 (April 17, 2002)  
approving an extension of Liberty Black Mountain's CC&N for the operation of sewage  
facilities in particular parcels,<sup>1</sup> and applies to any existing and future developments within  
the Town limits.<sup>2</sup>

<sup>1</sup> The PacWest, Ironwood, Partners, Canyon Creek and Morris parcels (the "extended CC&N service area").

<sup>2</sup> Agreement, ¶ 3 ("In consideration of [Liberty Black Mountain's] agreement to provide services to all residents and businesses of the extended CC&N service area, the Town

EXHIBIT

A-2

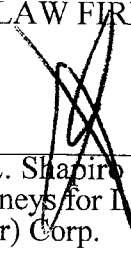
ADMITTED

1 Attached as **Exhibit 2** is Figure 22 from the Town's General Plan 2030, in which  
2 the Eastwood development is identified, illustrating that Eastwood is a part of Liberty  
3 Black Mountain's current franchise with the Town.<sup>3</sup>

4 These documents evidence that the Company has received the required consent,  
5 franchise or permit from the Town as required per A.R.S. § 40-282(B).

6 RESPECTFULLY SUBMITTED this 23rd day of May, 2016.

7 SHAPIRO LAW FIRM, P.C.

8  
9 By   
10 Jay L. Shapiro  
11 Attorneys for Liberty Utilities (Black Mountain  
Sewer) Corp.

12 and

13 LIBERTY UTILITIES  
14 Todd C. Wiley  
Assistant General Counsel

15  
16 **ORIGINAL** and thirteen (13) copies  
17 of the foregoing were filed  
this 23rd day of May, 2016, with:

18 Docket Control  
19 Arizona Corporation Commission  
1200 W. Washington Street  
20 Phoenix, AZ 85007

21  
22  
23  
24 agrees to support any application filed by [Liberty Black Mountain] with the Commission  
25 seeking to extend its existing CC&N to the extended CC&N area as well as any relief  
[Liberty Black Mountain] seeks.”).

26 <sup>3</sup> Staff indicated that no documentation had been filed (Staff Report at 3), however, both  
**Exhibits 1 and 2** were provided to Staff upon request during the discovery period.

1 **COPY** of the foregoing was hand-delivered  
2 this 23rd day of May, 2016, to:

3 Sasha Paternoster, ALJ  
4 Hearing Division  
5 Arizona Corporation Commission  
6 1200 W. Washington Street  
7 Phoenix, AZ 85007

8 **COPY** of the foregoing was emailed & hand-delivered  
9 this 23rd day of May, 2016, to:

10 Robin Mitchell  
11 Legal Division  
12 Arizona Corporation Commission  
13 1200 W. Washington Street  
14 Phoenix, AZ 85007  
15 rmitchell@azcc.gov

16 By: Whitney Birk  
17  
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26

# **EXHIBIT 1**

## OPERATING AGREEMENT

This Operating Agreement is made this 21 day of March, 2006, by and between TOWN OF CAREFREE, an Arizona municipal corporation ("Town") and BLACK MOUNTAIN SEWER COMPANY, formerly The Boulders Carefree Sewer Corporation, an Arizona public service corporation ("Utility").

### RECITALS:

A. Utility is currently providing wastewater services throughout significant portions of Town. Certain portions presently served or intended to be served by Utility are within an area for which the Utility obtained an extension of its Certificate of Convenience and Necessity ("CC&N") from the Arizona Corporation Commission ("Commission") on April 17, 2002 in Decision No. 64748 ("Order"), as more particularly described in the Order.

B. As a condition of approval, the Order requires Utility to obtain the required permit, license or franchise from the Town permitting Utility to provide wastewater service to the extension parcels approved by the Commission, and to file a copy of such permit, license or franchise with the Commission's Director of Utilities within 365 days of the effective date of the Order. The order further provides that failure to comply with this condition renders the CC&N null and void.

C. Utility has been asked by certain property owners to extend service to additional areas within the Town that are not currently within Utility's CC&N. Utility believes that in order to further extend its CC&N, it must first demonstrate compliance with the Order. Accordingly, Utility has agreed to reinstatement of the CC&N extension granted in the Order, and to seek to further extend its CC&N to include the additional areas within the Town where an extension of service has been requested (hereinafter collectively "extended CC&N service area")

as more particularly described in paragraph 3, *infra*), provided that the Town grants Utility certain rights to operate within the extended CC&N service area as more fully set forth in this Agreement. Utility will be obligated to provide wastewater service to these additional areas only after the Commission approves Utility's CC&N extension application to include such areas and such service shall be subject to the rules and regulations of the Commission applicable to public service corporations.

D. Town has agreed that Utility may use public streets and public rights-of-way within the extended CC&N service area for utility service during the term of this Agreement subject to the right of Town to review and inspect all trench construction, backfill, compaction and paving during construction. Town will also have the right to review and approve plans for all sewer mains, force mains, lift stations and all other facilities that may be placed in public rights-of-way within the extended CC&N service area subject to the terms and conditions herein.

Accordingly, the parties hereto desire to enter into this Agreement.

#### **AGREEMENT:**

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions.** Utility and Town agree to the following definitions as to terms utilized herein:

A. "Town Administrator" shall mean Administrator for Town of Carefree, Arizona, who oversees the day-to-day conduct of Town business in accordance with the directions of the Mayor and Council as set forth in the Town Code of Town of Carefree, Arizona, Section 3-2-1.

B. "Town Facilities" shall mean all water and transportation, delivery facilities for water, all streets, drainage, curb, gutter and landscaping.

C. "Utility Facilities" or "facilities" shall mean facilities owned by utility and used in the provision of wastewater treatment and collection including, but not limited to, methods of manufacture, distribution, transmission, storage or supply of such wastewater treatment.

D. "Governmental purposes" shall include, but not be limited to, the following functions of Town: (1) any and all improvement to Town streets, alleys, and avenues; (2) establishing and maintaining storm drains and related facilities; (3) establishing and maintaining municipal parks, parking, parkways, pedestrian malls, or grass, shrubs, trees, and other vegetation for the purposes of landscaping any street or public property; (4) providing fire protection; and (5) other public services. "Governmental purposes" shall not include proprietary functions.

E. "Public Street" shall mean only a street, road, highway, freeway, lane, path, alley, court, sidewalk, parkway, right-of-way, or drive that is owned by a public entity in fee or as to which a public easement has been dedicated for Street purposes, and with respect to which, and to the extent that, Town has a right to grant the use of the surface of, and space above and below in connection with a public utility or other compatible uses.

2. **Operating Grant.** Town hereby grants Utility, its successors and assigns, the right and privilege to construct, maintain, and operate upon, over, along, across, and under the Public Streets within the extended CC&N service area, Utility Facilities for a wastewater collection system, together with any and all necessary or desirable appurtenances (including, but not limited to, pumping facilities, transmission mains, service lines, meters, force mains,



collection mains, cleanouts, manholes and equipment for its own use), for the purpose of providing wastewater collection services to individuals and entities within the extended CC&N service area. The grant of authority to Utility to operate a wastewater collection system in the extended CC&N service area and the right to use and occupy public streets and public rights-of-way for the purposes herein set forth shall not be exclusive. Town reserves the right, at its discretion, to grant its consent, franchise, permit or authority to other operators of wastewater collection and treatment systems to operate in Town, provided such grant does not conflict with any rules or regulations of the Commission. The rights granted to Utility to use the Public Streets of Town are in no way exclusive and shall, in all respects, be subject and subordinate to the rights of others to use the Public Streets within Town. Utility shall be subject to and comply with all requirements of Town's ordinances, rules, regulations, and specifications applicable to Utility facilities or operations heretofore or hereafter enacted or established, and shall comply with all applicable state and federal laws and regulations heretofore or hereafter enacted or established applicable to Utility facilities or operations.

3. **Duty to Serve.** In consideration of the grant of authority by Town, pursuant to Paragraph 2 hereof, Utility hereby agrees to provide wastewater collection and treatment services to all citizens and business now or hereafter located within those portions of Town described on the legal descriptions attached hereto as Exhibit "A" and incorporated herein by reference ("the extended CC&N service area") in accordance with its CC&N and the rules and regulations of the Commission governing the provision of sewer utility service by public service corporations. In consideration of Utility's agreement to provide services to all residents and businesses of the extended CC&N service area, Town agrees to support any application

filed by Utility with the Commission seeking to extend its existing CC&N to the extended CC&N area as well as any relief Utility seeks with respect to compliance with the Order.

4. **Rights Reserved to Town.** Nothing in this Agreement shall be deemed or construed to impair or affect in any way, or to any extent, the right of Town to acquire any property of Utility. There is hereby reserved to Town every right and power that is required to be herein reserved or provided by any provision of the Town Code or ordinance, and Utility shall comply with any reasonable action or requirements of Town in its exercise of such rights or power heretofore or hereafter enacted or established. This Agreement shall not be construed to prevent Town from granting any identical, or similar, consent, franchise, permit or agreement to any other person, firm or corporation within Town, subject to the rules and regulations of the Commission. Nothing contained in this Agreement shall constitute a waiver or bar to the exercise of any governmental right or power of Town, now existing or hereafter granted.

5. **Compliance with Town Practice; Map Submitted for Approval; Town Construction Near Utility Facilities.** All construction of Utility Facilities hereunder shall be performed in accordance with the Town Code, Town ordinances, rules, regulations and established practices of Town with respect to such public streets and public rights-of-way. Before Utility makes or authorizes any improvements in the public streets or public rights-of-way, Utility shall submit for approval a map and site plan showing the location of such proposed improvements to Town Administrator. Additionally, Utility shall submit at the same time a specific construction plan or reconstruction plan together with specifications which shall include an overall time schedule of any construction or reconstruction effort and system design criteria. Utility shall comply with the time schedule for construction set forth in such plan and shall, to the best of its ability and in good faith, construct such improvements in strict accordance with the

plans and specifications submitted to Town. In addition, Utility is aware that Town may require any landowner, developer or new customer entering into facilities extension agreements with Utility within the jurisdiction of Town to submit their plans for facilities construction for review and that Town may charge a reasonable fee for such review.

6. **Construction and Relocation of Utility's Facilities; Payment.** All facilities installed or constructed pursuant hereto shall be so located or relocated and so erected as to minimize the interference with traffic, or other authorized uses over, under or through Public Streets and public rights-of-way. Any and all phases of construction of Utility Facilities relating to traffic control, backfilling, compaction and paving, as well as the location or relocation of facilities herein provided for, shall be subject to the Town Code, Town ordinances and regulation by Town Council of Town. Utility shall keep accurate records of the location of all facilities in Public Streets and public right-of-way and furnish them to Town upon request. Upon completion of new or relocated Utility Facilities in Public Streets, Utility shall provide Town Administrator with corrected drawings showing the actual location of the Utility Facilities in those cases where the actual location differs by two (2) feet or more from the proposed location approved in the permit plans. In addition, Utility and Town agree that Town will have the right to inspect all trench construction, backfill, compaction and paving activities of Utility, and agree that Town may charge a fee for such review.

A. Utility shall bear the entire costs of relocating Utility Facilities located in Public Streets, the relocation of which is necessary for Town's carrying out of governmental purposes. Utility's right to retain its facilities in their original location is subject to the paramount right of Town to use its Public Streets for all governmental purposes. Town shall bear the entire cost of relocating Utility Facilities located in Public Streets, the relocation of

which is necessitated by the construction of improvements by or on behalf of Town in furtherance of a proprietary function.

B. Where any existing facilities conflict with any Utility Facilities, Utility shall bear the entire cost of relocating the existing facilities, irrespective of the function they served.

C. Construction, installation, and maintenance of the Utility Facilities will be performed in an orderly and professional manner in all areas of the extended CC&N service area, both public and private. Utility shall at all times and in all areas of the extended CC&N service area, both public and private, ensure that Utility Facilities constructed will comply with industry standards and will comply with all applicable Town ordinances, regulations of the Maricopa County Department of Environmental Services, the Commission and any other governmental authority having jurisdiction thereof and in addition will comply with applicable sections of: (1) the Uniform Building Code as may be adopted and amended by Town, together with applicable portions of all other Uniform Codes, as may be adopted and amended by Town, promulgated by the International Conference of Building Officials; (2) the Town Zoning Ordinance and any subdivision regulations, all as from time to time adopted, amended and revised, and all other applicable rules and regulations now in effect or hereinafter by Town; (3) the Town Code, including but not limited to, Sections 11-1-5 and 11-4 thereof requiring certain work to be performed in accordance with the Maricopa Association of Governments Uniform Standards Specifications for Public Works Contractors, including the latest Town supplement thereto; (4) Arizona Revised Statutes; (5) Maricopa County Department of Environmental Services regulations; and (6) all federal laws, rules and regulations applicable to Utility.

D. If Utility during construction, installation, or repair of any portion of Utility Facilities causes damage to any pavement, sidewalks, driveways, landscaping, or other public or private property, Utility or its authorized agent shall, at its own expense, and in a manner approved by Town, replace and restore such place or places. Such replacement and restoration shall comply with all applicable provisions of the Town Code, including but not limited to, Sections 11-1-5 and 11-4 thereof requiring certain work to be performed in accordance with the Maricopa Association of Governments Uniform Standard Specifications for Public Works Contractors, including the latest Town supplement thereto, or to such higher standard as Utility may elect and Town or property owner shall approve. Utility shall further warrant all such restoration related to Utility's activities for a period of one (1) year following such restoration.

E. Utility shall provide reasonable advance notice to all affected residents or businesses prior to system construction or upgrade crews working in the Public Streets in front of their property; provided that Utility shall not be required to provide such notice in emergencies or for minor system repair and maintenance work.

F. As required by Town Administrator or other appropriate departments, Utility or its authorized contractors will obtain permits prior to any physical work being performed within Town. All work will be done in accordance with Town's technical and permitting specifications.

G. Town reserves the right to move any portion of Utility's Facilities, at Town's expense, that may be required in any emergency as determined by Town without liability for interruption of service. However, prior to taking any actions pursuant to this

provision, Town shall provide, if feasible, reasonable notice to Utility of the emergency to allow Utility the opportunity to protect or repair the facilities involved in the emergency.

7. **Restoration of Rights-of-Way.**

A. If Utility during construction, installation, or repair of any portion of its Utility Facilities causes damage to pavement, sidewalks, driveway, landscaping or other public or private property, Utility or its authorized agent shall, at its own expense and in a manner approved by Town, replace and restore such place or places. Such restoration shall be in compliance with all applicable provisions of the Town Code, including but not limited to, Sections 11-1-5 and 11-4 thereof requiring certain work to be performed in accordance with the Maricopa Association of Governments Uniform Standard Specifications for Public Works Contractors, including the latest Town supplement thereto, or to such higher standard as Utility may elect and Town shall approve. Utility shall further warrant all such restoration related to Utility's activities for a period of one (1) year following such restoration.

B. Upon failure of Utility to complete any work required by law, or by the provisions of this Agreement, to be done in any Public Street, within fifteen (15) days after written notice from Town, Town may, at its option, cause such work to be done through its own forces or through a hired contractor, and Utility shall pay to Town the cost thereof within ten (10) days after receipt of an invoice from Town. Alternatively, Town may demand of Utility prior to performing such work, the cost of such work as estimated by Town Administrator and such shall be paid by Utility to Town within ten (10) days of such demand. Upon award of any contract, or contracts therefor, Utility shall pay to Town, within ten (10) days of demand, any additional amount necessary to provide for costs of such work. Upon completion of such work, Utility shall pay to Town or Town shall refund to Utility such sums so that the total received and

retained by Town shall equal the cost to Town of such work. "Cost" as used herein shall include fifteen percent (15%) of all other costs to compensate Town for its overhead, including inspection and supervision, and interest at the rate of ten percent (10%) per annum of any past due payments to Town under this paragraph.

8. **Term.** This Agreement shall continue and exist for fifteen (15) years. Upon expiration of its term, if this Agreement has not renewed, this Agreement shall continue in full force and effect for successive periods of one (1) year each unless terminated at the end of the period by notice or at such time as a franchise agreement has been entered between Town and Utility.

9. **Nature of Agreement.** This Agreement is not exclusive, and nothing herein contained shall be construed to prevent Town from granting other like or similar grants or privileges to any other person, firm or corporation. Utility may not assign this Agreement to any other person, firm or corporation without the prior written consent of Town, which consent shall not be unreasonably withheld, provided, however, that Utility may assign this Agreement to an affiliate of Utility, or to a third party in connection with a sale of utility or of substantially all its assets, and shall not be required to obtain Town's consent in connection with such an assignment.

10. **Independent Provisions.** If any section, paragraph, clause, phrase or provision shall be adjudged invalid or unconstitutional, the same shall not affect the validity hereof as a whole or any part of the provisions hereof other than the part so adjudged invalid or unconstitutional.

11. **Condemnation; Right Reserved by Town.** Town reserves the right and power to purchase and condemn the Utility Facilities as provided by law.

12. **Indemnification and Hold Harmless.**

A. Utility shall fully indemnify, defend and hold harmless Town, its Council, officers, boards, commissions, elected officials, agents, attorneys, representative, servants, and employees against any and all costs, damages, expenses, claims, suits, actions, liabilities, and judgments for damages, including but not limited to, expenses for legal fees, whether suit be brought or not, and disbursements and liabilities incurred or assumed by Town in connection with:

1. Damage to persons or property, in any way arising out of or through the acts or omissions of Utility, its servants, officials, agents, attorneys, representatives, or employees;

2. Requests for relief arising out of any Utility action or inaction that results in a claim for invasion of right of privacy, for defamation of any person, firm or corporation, for the violation or infringement of any copyright, trademark, trade name, service mark, or patent, or of any other right of any person, firm or corporation.

3. Any claims arising out of Utility's failure to comply with the provisions of this Agreement or any federal, state, or local law, or regulation applicable to this Agreement or the Utility's facilities.

4. Any and all disputes arising out of a claim by any other party other than Town wherein damages or other relief is sought: (a) as a result of this Agreement; or (b) as a result of any renewal or non-renewal of this Agreement.

B. If a lawsuit covered by the provision of this paragraph be brought against Town, either independently or jointly with Utility, or with any other person or municipality, the Utility upon notice given by Town, shall defend Town at the costs of the



Utility. If final judgment is obtained against Town, either independently or jointly with Utility or any other defendants, Utility shall indemnify and hold harmless Town and pay such judgment with all costs and attorneys' fees and satisfy and discharge same.

C. Town shall cooperate with Utility and reserves the right to participate in the defense of any litigation.

D. Town is in no manner or means waiving any governmental immunity it may enjoy or any immunity for its agents, officials, servants, attorneys, representatives and/or employees.

E. Utility shall make no settlement in any matter identified above without Town's written consent, which shall not be unreasonably withheld. Failure to inform Town of settlement shall constitute a breach of this Agreement and Town may seek any redress available to it against Utility whether set forth in this Agreement or under any other municipal, state, or federal laws.

F. All rights of Town, pursuant to indemnification, insurance, letter of credit, or performance bond(s), as provided for by the Town Code and other Town Ordinances, are in addition to all other rights Town may have under this Agreement or any other code, rule, regulation, ordinance or law.

G. Town's exercise or failure to exercise all rights pursuant to any paragraph of this Agreement, shall not affect in any way the right of Town subsequently to exercise any such rights or any other right of Town under this Agreement or any other code, rule, regulation, or law.

H. Notwithstanding anything contained herein to the contrary, Town shall have a right of action separate and independent of any action citizens of the Town or

customers of Utility may have to enforce the obligations of Utility under this Agreement or obligations Utility may otherwise have to Town or citizens of Town by virtue of its status as a Public Utility.

I. It is the purpose of this paragraph to provide maximum indemnification to Town under the terms and conditions expressed and, if there is a dispute, this paragraph shall be construed (to the greatest extent permitted by law) to provide for the indemnification of Town by the Utility, and is intended to be in addition to and not in lieu of the indemnity provision of the Town Code, including but not limited to Section 11-1-9 thereof.

J. The provisions of this paragraph shall not be dependent or conditioned upon the validity of this Agreement or the validity of any of the procedures or agreements involved in the grant or renewal of this Agreement, but shall be and remain a binding right and obligation of Town and Utility even if part or all of this Agreement, or the grant or renewal of this Agreement, is declared null and void in a legal or administrative proceeding. It is expressly agreed that it is the intent of Utility and Town that the provisions of this paragraph survive any such declaration and shall be a binding obligation of and inure to the benefit of Utility and Town and their respective successors and assigns, if any.

K. Town shall hold Utility harmless from Town's negligent actions and omissions directly resulting in loss or damage to all or any portion of the Utility Facilities.

**13. Liability Insurance and Bonds.**

A. Utility shall obtain and maintain at all times during the term of this Agreement general liability insurance and automobile liability insurance protecting Utility in an amount not less than TWO MILLION Dollars (\$2,000,000) per occurrence (combined single limit), including bodily injury and property damage, and in an amount not less than TWO

MILLION Dollars (\$2,000,000) annual aggregate for each personal injury liability and products-completed operations. Coverage shall be in an occurrence form and in accordance with the limits and provisions specified herein. When an umbrella or excess coverage is in effect, coverage shall be provided in following form. Such insurance shall not be canceled or materially altered to reduce the policy limits until Town has received at least thirty (30) days' advance written notice of such cancellation or change. Utility shall be responsible for notifying Town of such change or cancellation. The insurance obligations hereunder are in addition to and not in lieu of the insurance provisions of the Town Code, including but not limited to, Sections 11-1-9 and 11-4 thereof.

B. Filing of Certificates and Endorsements. Within thirty (30) days following execution of this Agreement and prior to the commencement of any work pursuant to this Agreement, Utility shall file with Town the required original certificates of insurance, with endorsements, which shall clearly state all of the following:

- (a) The policy number; name of insurance company; name and address of the agent or authorized representative; name, address, and telephone number of insured; project name and address; policy expiration date; and specific coverage amounts;
- (b) That Town shall receive thirty (30) days' prior notice of cancellation; and
- (c) That Utility's insurance is primary as respects any other valid or collectible insurance that Town may possess, including any self-insured retention Town may have; and any other insurance Town does possess shall be considered excess insurance only and shall not be required to contribute with this insurance.

C. Workers' Compensation Insurance. Utility shall obtain and maintain at all times during the term of this Agreement statutory workers' compensation and

employer's liability insurance in an amount not less than Two Hundred Fifty Thousand Dollars (\$250,000) and shall furnish Town with a certificate showing proof of such coverage.

D. **Insurer Criteria.** Any insurance provider of Utility shall be admitted and authorized to do business in the State of Arizona and shall be rated at least A- in *A.M. Best & Company's Insurance Guide*. Insurance policies and certificates issued by non-admitted insurance companies are not acceptable.

E. **Bonds.** Utility shall comply with the bonding obligations as set forth in the Town Code, including but not limited to, Section 11-1-8 thereof.

14. **Notice.** Unless specifically directed otherwise by another section of this Agreement, all notices that Town may give to Utility or that Utility may give to Town shall be given in writing and shall be sent by certified mail, postage fully prepaid, addressed to Utility's most recent address on file with Town and addressed to Town c/o Town Administrator at P. O. Box 740, 100 Easy Street, Carefree, Arizona 85377, with a copy to Town Attorney at P. O. Box 740, 100 Easy Street, Carefree, Arizona 85377. All notices shall be deemed received two (2) days after deposit in the U.S. Mail.

15. **Miscellaneous.**

A. Town and Utility hereby expressly agree that the following provisions shall survive the termination or expiration hereof:

B. Utility by acceptance of this Agreement acknowledges that it has not been induced to enter into this Agreement by any understanding or promise or other statement whether verbal or written by or on behalf of Town or by any other third person concerning any term or condition of this Agreement not expressed herein.

C. Utility represents and warrants that it has the power and authority to enter into this Agreement by and through the representative who has signed this Agreement on its behalf, and that it has the power and ability to do all the acts required of it.

D. Utility represents and warrants that it accepts this Agreement willingly and without coercion, undue influence, or duress. Utility has not misrepresented or omitted material facts, has not accepted this Agreement with intent to act contrary to the provisions herein, and represents and warrants that, so long as it operates the facilities, it will be bound by the terms and conditions of this Agreement or a renewal agreement.

E. Utility further acknowledges that it was represented throughout the negotiations of this Agreement by its own attorneys and had the opportunity to consult with its own attorneys about its rights and obligations regarding this Agreement.

F. Town and Utility hereby expressly agree that this Agreement shall not be effective, or enforceable on either party, until approved by the Town Council.

16. **Governing Law.** This Agreement is to be governed by and construed with the laws of the State of Arizona. Any action brought to interpret, enforce or concerning any provision of this Agreement must be commenced and maintained in the Superior Court of the State of Arizona, Maricopa County. All parties irrevocably consent to this jurisdiction in venue and agree not to transfer or move any action commenced in accordance with this Agreement.

17. **Entire Agreement.** This Agreement constitutes the entire understanding between the parties pertaining to the subject matter of this Agreement and all prior agreements, representations and understandings of the parties, whether oral or written, are superseded and merged into this Agreement. No supplement, modification or amendment of this Agreement will be binding unless in writing and executed by the parties. No waiver of any provisions of this

Agreement will be binding unless executed in writing by the party making the waiver. Time is of the essence of the performance of each and every term of this Agreement.

18. **Severability.** If any one or more of the provisions of this Agreement or the applicability of any provision to a specific situation is held invalid or unenforceable, the provision will be modified to the benefit of the extent necessary to make it or its applicable valid and enforceable in a manner consistent with the intent of this Agreement and the validity and enforceability of all other provisions of this Agreement and all other applications of the enforceable provisions will not be affected by the invalidity or the unenforceability of any provision, so long as this Agreement may still be enforced in a manner consistent with the intent of the parties.

19. **Counterparts.** This Agreement may be executed in any number of counterparts by original or facsimile signature, each of which, when executed and delivered, will be deemed an original, all of which will constitute one binding agreement.

20. **Attorneys' Fees.** In the event either party shall institute an action or arbitration proceeding to enforce the provisions of this Agreement, the prevailing party shall be entitled to recover all costs and expenses, including, without limitation, reasonable attorneys' fees, expert witness fees, costs of tests and analyses, architect, engineering and other professional fees and costs, travel and accommodation expenses, costs of deposition and trial transcript copies, duplication fees, costs of court and all other costs and expenses, whether incurred in negotiation, preparation of documents at trial or on appeal or whether incurred in the establishment of fees and costs or the collection thereof.

21. **Captions/Headings.** Are intended only for convenience and shall not be construed as a limitation under the scope of any provision of this Agreement, and shall not, in

any manner, amplify, limit or modify or otherwise be used in the interpretation of any such provision.

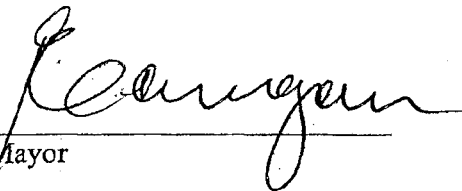
22. Gender and Tense. Whenever required by the context hereof, the singular shall include the plural, and the plural shall include singular and the masculine, feminine and neuter gender shall each be deemed to include the other.

23. Amendment. This Agreement shall not be amended, modified, terminated or rescinded except by written instrument duly executed and acknowledged by both of the parties.

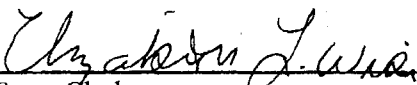
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

**TOWN**

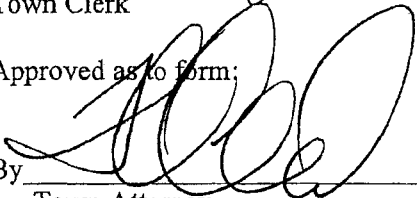
**TOWN OF CAREFREE,  
an Arizona municipal corporation**

By   
Its Mayor

ATTEST:

  
Town Clerk

Approved as to form:

By   
Town Attorney

UTILITY

BLACK MOUNTAIN SEWER COMPANY,  
an Arizona public service corporation

By Michael D. Weber  
Its President  
VKE MDW

STATE OF ARIZONA    )  
                              ) ss.  
County of Maricopa    )

On this 21 day of March, 2006, before me, the undersigned officer, personally appeared Edward C Morgan, who acknowledged himself to be the Mayor of Town of Carefree, an Arizona municipal corporation, and that he, in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHERE, I hereunto set my hand and official seal.



Elizabeth L. Wise  
Notary Public

My Commission Expires:

8/31/2009

STATE OF ARIZONA    )  
                              ) ss.  
County of Maricopa    )

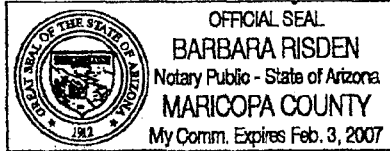
On this 29 day of March, 2006, who acknowledged himself to be the <sup>VICE</sup> President of BLACK MOUNTAIN SEWER COMPANY, an Arizona public service corporation, and that he, in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained. MDW



IN WITNESS WHERE, I hereunto set my hand and official seal.

My Commission Expires:

Feb. 3, 2007



Barbara Riden  
Notary Public

1751317.2

**EXHIBIT "A"**  
**To**  
**Operating Agreement**  
**by and between TOWN OF CAREFREE,**  
**an Arizona municipal corporation**  
**and**  
**BLACK MOUNTAIN SEWER COMPANY,**  
**formerly The Boulders Carefree Sewer Corporation,**  
**an Arizona public service corporation**

PacWest Parcel consisting of the following 20 acres:

RAY & ALMA SCHOOL PROPERTY  
15 ACRES

A part of the Southeast quarter of the Southeast quarter of Section 5, Township 5 North, Range 4 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; and more particularly described as follows:

COMMENCING at the Southeast corner of said Section 5;

Thence South 89 degrees 48 minutes 49 seconds West, along the South line of said Section, 1327.69 feet;

Thence North 00 degrees 16 minutes 59 seconds East, 65.00 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 00 degrees 16 minutes 59 seconds East, 1151.00 feet;

Thence South 60 degrees 13 minutes 01 seconds East, 210.00 feet;

Thence North 88 degrees 22 minutes 00 seconds East, 160.00 feet;

Thence South 71 degrees 18 minutes 00 seconds East, 155.00 feet;

Thence South 86 degrees 18 minutes 00 seconds East, 250.00 feet;

Thence South 62 degrees 18 minutes 00 seconds East, 142.50 feet to a point on the West right of way line of CAVE CREEK ROAD;

Thence South 27 degrees 36 minutes 43 seconds West along said line 999.00 feet;

Thence South 58 degrees 54 minutes 02 seconds West, 68.37 feet to a point on the North right of way line of CAREFREE HIGHWAY;

Thence South 89 degrees 48 minutes 49 seconds West, along said line 348.35 feet to the POINT OF BEGINNING;

107<sup>th</sup> AND INDIAN SCHOOL  
5 ACRES

A part of the Southeast quarter of the Southeast quarter of Section 5, Township 5 North, Range 4 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; and more particularly described as follows:

COMMENCING at the Southeast corner of said Section 5;

Thence South 89 degrees 48 minutes 49 seconds West, along the South line of said Section, 1327.69 feet;

Thence North 00 degrees 16 minutes 59 seconds East, 1216.00 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 00 degrees 16 minutes 59 seconds East, 105.00 feet;

Thence South 89 degrees 49 minutes 10 seconds East, 1038.06 feet to a point on the West right of way line of CAVE CREEK ROAD;

Thence South 27 degrees 36 minutes 53 seconds West along said line 379.19 feet;  
Thence North 62 degrees 18 minutes 00 seconds West 142.05 feet;  
Thence North 86 degrees 18 minutes 00 seconds West 250.00 feet;  
Thence North 71 degrees 18 minutes 00 seconds West, 155.00 feet;  
Thence South 88 degrees 22 minutes 00 seconds West, 160.00 feet;  
Thence North 60 degrees 13 minutes 01 seconds West, 210.00 feet to the POINT OF BEGINNING.

Ironwood:

IRONWOOD ESTATES - MONTEREY HOMES

The Southwest quarter of the Southwest quarter of Section 4, Township 5 North, Range 4 East, of the Gila and Salt River Base Meridian, Maricopa County, Arizona;

EXCEPT the Southwest quarter of the Southwest quarter of the Southwest quarter.

Partners:

CAVECREEK-CAREFREE PARTNERS

A portion of the Southeast quarter of the Southeast quarter of Section 5, Township 5 North, Range 4 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

BEGINNING at the Southeast corner of said Section 5;

thence North 00 degrees, 03 minutes, 37 seconds East and along the East line of said Section 5, a distance of 55 feet to the TRUE POINT OF BEGINNING of the herein described parcel;

thence continuing North 00 degrees, 03 minutes, 37 seconds East along the East line of said Section 5, a distance of 1,267.72 feet to the Northeast corner of the Southeast quarter of the Southeast quarter of said Section 5;

thence South 89 degrees, 59 minutes, 35 seconds West along the North line of the Southeast quarter of the Southeast quarter of said Section 5, a distance of 176.72 feet to a point on the East right of way line of CAVE CREEK ROAD;

thence South 27 degrees, 27 minutes, 57 seconds West along the East right of way line of CAVE CREEK ROAD, 1,428.78 feet to a point 55 feet North of the South line of said Section 5, said point lies on the North right of way of CAREFREE HIGHWAY;

thence North 89 degrees, 59 minutes, 56 seconds East along a line parallel to and 55 feet North of the South line of said Section 5, and along the North right of way line of CAREFREE HIGHWAY, a distance of 834.35 feet to a point on the East line of said section 5 and the TRUE POINT OF BEGINNING.

BLACK MOUNTAIN ESTATES

The Southwest quarter of the Southwest quarter of the Southwest quarter of Section 4, Township 5 North, Range 4 East, of the Gila and Salt River Base Meridian, Maricopa County, Arizona.

Containing 10.0 acres, more or less.

Morris consisting of Tracts A and B

TRACT "A"

That portion of Section 3, Township 5 North, Range 4 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona described as follows:

Commencing at a one half inch rebar, being the center of said Section 3 per survey found in Book 599 of Maps, Page 17 in the Records of the Recorder of Maricopa County; Thence along the West line of the Northeast Quarter of said Section 3, North 00 degrees 44 minutes 41 seconds East a distance of 716.58 feet to a one half inch iron pipe; Thence South 81 degrees 31 minutes 53 seconds West a distance of 590.00 feet to a one half inch rebar with tag, LS # 12216, being the Southwest corner of Lot 671 of Carefree Plat 3B according to Book 98 of Maps, Page 37, Records of said County and the POINT OF BEGINNING; Thence South 09°56'23" East along the westerly line of Lot 670 of said Carefree Plat 3B a distance of 310.66 feet (309.94 feet, record) to the northwest corner of Lot 669 of said Carefree Plat 3B; thence South 22°20'01" West along the westerly line of Lots 668 and 669 of said Carefree Plat 3B a distance of 218.74 feet (219.44 feet, record) to the northwest corner of Lot 667 of said Carefree Plat 3B; thence South 42°39'57" West along the westerly line of Lots 666 and 667 of said Carefree Plat 3B a distance of 380.00 feet to the northeast corner of Lot 665 of said Carefree Plat 3B; thence departing said Carefree Plat 3B North 11°57'39" West along the east line of the property described in the Warranty Deed recorded in Instrument 98-1104894, records of said County, 200.00 feet; thence North 88°53'27" West along the north line of the property described in said Warranty Deed 264.00 feet to the northwest corner of the property described in said Warranty Deed; thence South 00°44'41" West A distance of 42.66 feet to the northeast corner of Lot 3 of Carefree Grand View Estates Unit 1, according to Book 224 of Maps, Page 26, records of said County; thence North 89°17'18" West along the north line of said Lot 3 a distance of 350.00 feet to the northwest corner of said Lot 3; thence North 00°42'42" East along the east line of Lots 4 and 6 of said Carefree Grand View Estates Unit 1 a distance of 425.00 feet to the southeast corner of Lot 7 of said Carefree Grand View Estates Unit 1; thence North 24°24'25" East along the east line of said Lot 7 a distance of 318.82 feet (315.79 feet, record) to the southwest corner of Lot 3 of said Carefree Grand View Estates Unit 1 marked with a one half inch iron pipe; thence South 89°30'39" East along the south line of said Lot 8 a distance of 224.52 feet (225.00 feet, record) to the southeast corner of said Lot 8; South 81°31'53" East 590.00 feet to the POINT OF BEGINNING.

Containing 14.51 acres, more or less.

## TRACT "B"

That portion of the east half of Section 3, Township 5 North, Range 4 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

Commencing at a one half inch rebar, being the center of said Section 3 per survey found in Book 599 of Maps, Page 17 in the Records of the Recorder of Maricopa County; Thence along the West line of the Northeast Quarter of said Section 3, North 00 degrees 44 minutes 41 seconds East a distance of 716.58 feet to a one half inch iron pipe; Thence South 81 degrees 31 minutes 53 seconds West a distance of 590.00 feet to a one half inch rebar with tag, LS # 12216, being the Southwest corner of Lot 671 of Carefree Plat 3B according to Book 98 of Maps, Page 37, Records of said County and the POINT OF BEGINNING; Thence North 81°31'53" West 590.00 feet to the southeast corner of Lot 8 of Carefree Grand View Estates Unit 1 according to Book 224 of Maps, Page 26, records of said County, marked with one half inch iron pipe; thence, along the east line of said lot 8, North 00°44'41" East a distance of 480.67 feet to a cross on a boulder; thence, South 79°08'40" East a distance of 775.87 feet (South 79°10'19" East 776.42 feet record) to southwest corner of Lot 672 of said Carefree Plat 3B marked with a one half inch rebar with tag LS 12216; thence South 70°29'31" East along the south line of said Lot 672 a distance of 329.14 feet to the southeast corner of said Lot 672 and a point on the westerly line of Stage Coach Pass, a roadway having a width of 60.00 feet marked with a one half inch iron pipe; thence South 44°34'47" West along said westerly line 101.16 feet (101.26 feet, record) to the beginning of a curve concave to the southeast having a radius of 493.54 feet; thence southwesterly along said curve through a central angle of 05°48'01" a distance of 49.96 feet (50.00 feet, record) to the northeast corner of Lot 671 of said Carefree Plat 3B marked with a one half inch iron pipe; thence departing the westerly line of said Stage Coach Pass North 84°56'58" West along the north line of said Lot 671 a distance of 326.30 feet (330.00 feet, record) to the north west corner of said Lot 671 marked with a one half inch iron pipe, thence South 15°52'35" West along the westerly line of said Lot 671 a distance of 240.01 feet to the POINT OF BEGINNING.

Containing 8.32 acres, more or less.

# CANYON CREEK ESTATES.

## LEGAL DESCRIPTION:

A PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

### PARCEL 1:

COMMENCING AT THE WEST QUARTER CORNER OF SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

THENCE NORTH 89 DEGREES 57 MINUTES 40 SECONDS EAST, 471.87 FEET, ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 4 TO A POINT ON THE MONUMENT LINE OF CAVE CREEK ROAD, SAID POINT BEING THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 57 MINUTES 40 SECONDS, EAST 881.05 FEET, ALONG SAID NORTH LINE OF THE SOUTHWEST QUARTER TO THE NORTHEAST CORNER OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 4;

THENCE SOUTH 00 DEGREES 02 MINUTES 45 SECONDS EAST, 799.71 FEET, ALONG THE EAST LINE OF SAID NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 4;

THENCE SOUTH 89 DEGREES 57 MINUTES 40 SECONDS WEST, 1266.55 FEET TO A POINT ON THE MONUMENT LINE OF CAVE CREEK ROAD;

THENCE NORTH 27 DEGREES 24 MINUTES 39 SECONDS EAST, 901.17 FEET, ALONG SAID MONUMENT LINE, TO THE POINT OF BEGINNING.

### PARCEL 2:

A PORTION OF THE NORTH HALF OF SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER CORNER OF SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

THENCE NORTH 89 DEGREES 57 MINUTES 40 SECONDS EAST ALONG THE EAST-WEST MID SECTION LINE OF SAID SECTION 4, A DISTANCE OF 471.87 FEET TO A POINT ON THE CENTERLINE OF CAVE CREEK ROAD - CAMP CREEK - PHOENIX ROAD RECORDED IN BOOK 3 OF ROAD MAPS, PAGE 20, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING;

THENCE NORTH 27 DEGREES 24 MINUTES 39 SECONDS EAST, 278.65 FEET TO A POINT ON SAID CENTERLINE;

THENCE NORTH 27 DEGREES 26 MINUTES 42 SECONDS EAST, 299.43 FEET TO A POINT ON SAID CENTERLINE;

THENCE SOUTH 62 DEGREES 33 MINUTES 18 SECONDS EAST ALONG THE SOUTHERN BOUNDARY OF CAREFREE SENTINEL ROCK ESTATES, RECORDED IN BOOK 243 OF MAPS, PAGE 12, RECORDS OF MARICOPA COUNTY, ARIZONA, A DISTANCE OF 365.92 FEET;

THENCE SOUTH 41 DEGREES 56 MINUTES 04 SECONDS EAST, 462.19 FEET;

THENCE SOUTH 89 DEGREES 57 MINUTES 40 SECONDS WEST ALONG THE EAST-WEST MID SECTION LINE OF SAID SECTION 4, 899.91 FEET TO THE TRUE POINT OF BEGINNING.

## NOTES:

1. CONSTRUCTION WITHIN EASEMENTS EXCEPT BY PUBLIC AGENCIES AND



NGS ID: AJ3733  
NAVQ'88 ELEVATION: 2288.55  
PROVIDED BY THE MARICOPA COUNTY  
DEPARTMENT OF TRANSPORTATION.

CAREFREE  
VISTA

### SITE LEGAL DESCRIPTION:

**PARCEL NO. 1:**

THE NORTH HALF OF THE MORMON GIRL MINE NO. 2 (SOMETIMES IDENTIFIED AS MORMON NO. 2) AND THAT PART OF MAMIE MAUDE LYING WITHIN THE NORTH HALF OF MORMON GIRL MINE NO. 2, IN SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING SHOWN ON MINERAL SURVEY NO. 2878 A AND B ON FILE IN THE BUREAU OF LAND MANAGEMENT, AS GRANTED BY PATENT RECORDED APRIL 11, 1912 AS BOOK 99 OF DEEDS, PAGE 107, RECORDS OF MARICOPA COUNTY, ARIZONA.

**PARCEL NO. 2:**

MORMON GIRL LOSE MINING CLAIM IN CAVE CREEK MINING DISTRICT, BEING SHOWN ON MINERAL SURVEY NO. 2878A ON FILE IN THE BUREAU OF LAND MANAGEMENT, AS GRANTED BY PATENT RECORDED AS BOOK 99 OF DEEDS, PAGE 107, RECORDS OF MARICOPA COUNTY, ARIZONA.

**PARCEL NO. 3:**

THAT PART OF RED CROSS LOSE MINING CLAIM ACCORDING TO THAT CERTAIN SURVEY AND PLAT FILED WITH AND APPROVED AND ACCEPTED BY THE U.S. DEPARTMENT OF INTERIOR, BUREAU OF LAND MANAGEMENT ON JANUARY 14, 1935, DESCRIBED AS FOLLOWS:

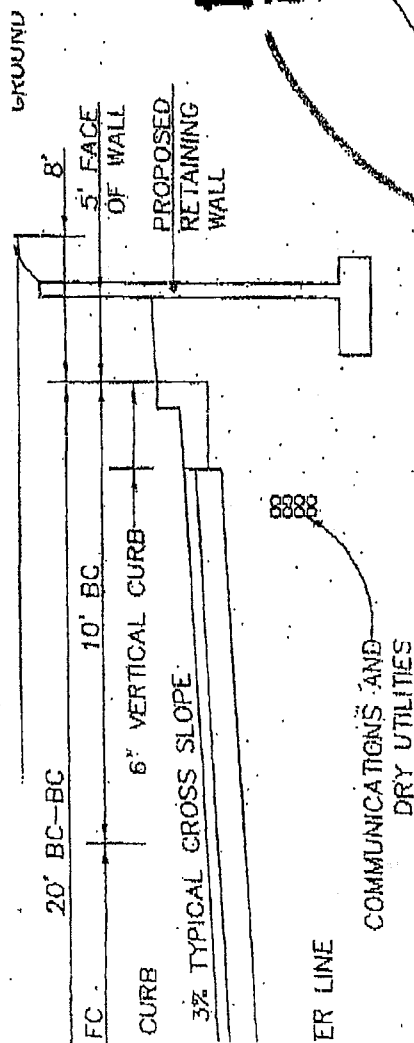
DESIGNATED BY THE SURVEYOR GENERAL AS SURVEY NO. 4472 IN THE CAVE CREEK MINING DISTRICT, LYING WITHIN SECTION 3 AND SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, AND BEING MORE FULLY DESCRIBED IN PATENT RECORDED NOVEMBER 18, 1980 AS DOCKET 3487, PAGE 391, RECORDS OF MARICOPA COUNTY, ARIZONA, TO WIT:

BEGINNING AT CORNER NO. 1, RED CROSS CLAIM;

THENCE NORTH 21 DEGREES 42 MINUTES WEST ALONG THE WEST SIDE LINE OF SAID CLAIM, 1022.70 FEET TO A POINT APPROXIMATELY 100 FEET NORTH OF CORNER NO. 4;

THENCE NORTH 68 DEGREES 18 MINUTES EAST ALONG PARALLEL TO LINE 4-3 HENRY W. GRADY CLAIM M.S. NO. 2678 TO THE EAST LINE OF SECTION 4, TOWNSHIP 5 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

THENCE SOUTH 68 DEGREES 18 MINUTES WEST ALONG SAID LINE 2-3 TO CORNER NO. 3 AND THE PLACE OF BEGINNING.



ROW STREET CROSS-SECTION  
(NORTH OF ENTRY).

LEGAL DESCRIPTION

N.T.S.

That part of the LITTLE HOPE LODGE MINING CLAIM in the northwest quarter of the northeast quarter and the southwest quarter of the northeast quarter of Section 4, Township 5 North, Range 4 East of the Gila and Salt River Base and Meridian, being shown on Mineral Survey No. 4473, on file in the Bureau of Land Management, as granted by Patent recorded October 20, 1960, in Docket 3480, page 406 of the Maricopa County, Arizona.

## BENCHMARK

BRASS CAP AT THE NORTHWEST CORNER OF THE PROPERTY.  
ELEVATION= 2258.00

ENGINEER

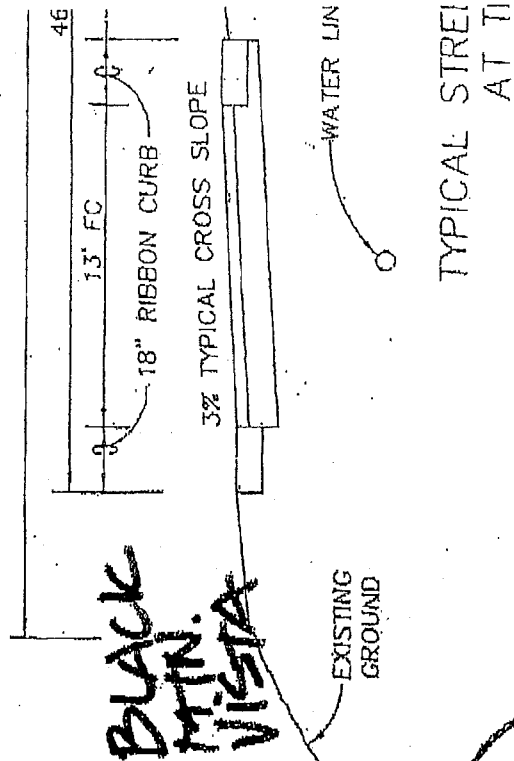
**Pinnacle Engineering, Inc.**  
8712 East Vista Bonita Drive  
Scottsdale, AZ. 85255  
480-585-6013  
480-585-1717 Fax

OWNER/DEVELOPERS:

## DEVELOPERS

Derald Ulmer  
P.O. BOX 999  
Fairview, OR 9

Land Development Services, L.L.C.  
4413 North Saddlebrog Trail #5  
Scottsdale, AZ 85251  
(480)946-5020



PROJECT DATA

PROJECT AREA-

EXISTING ZON

TOTAL LOTS-

MINIMUM LOT SIZE -  
ASSESSOR PARCEL NO

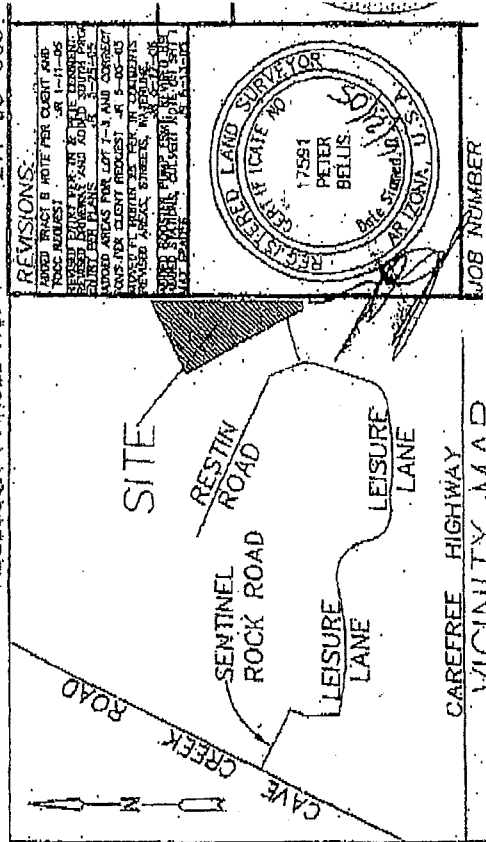
9.74 Acres  
R1-35

5 Lots

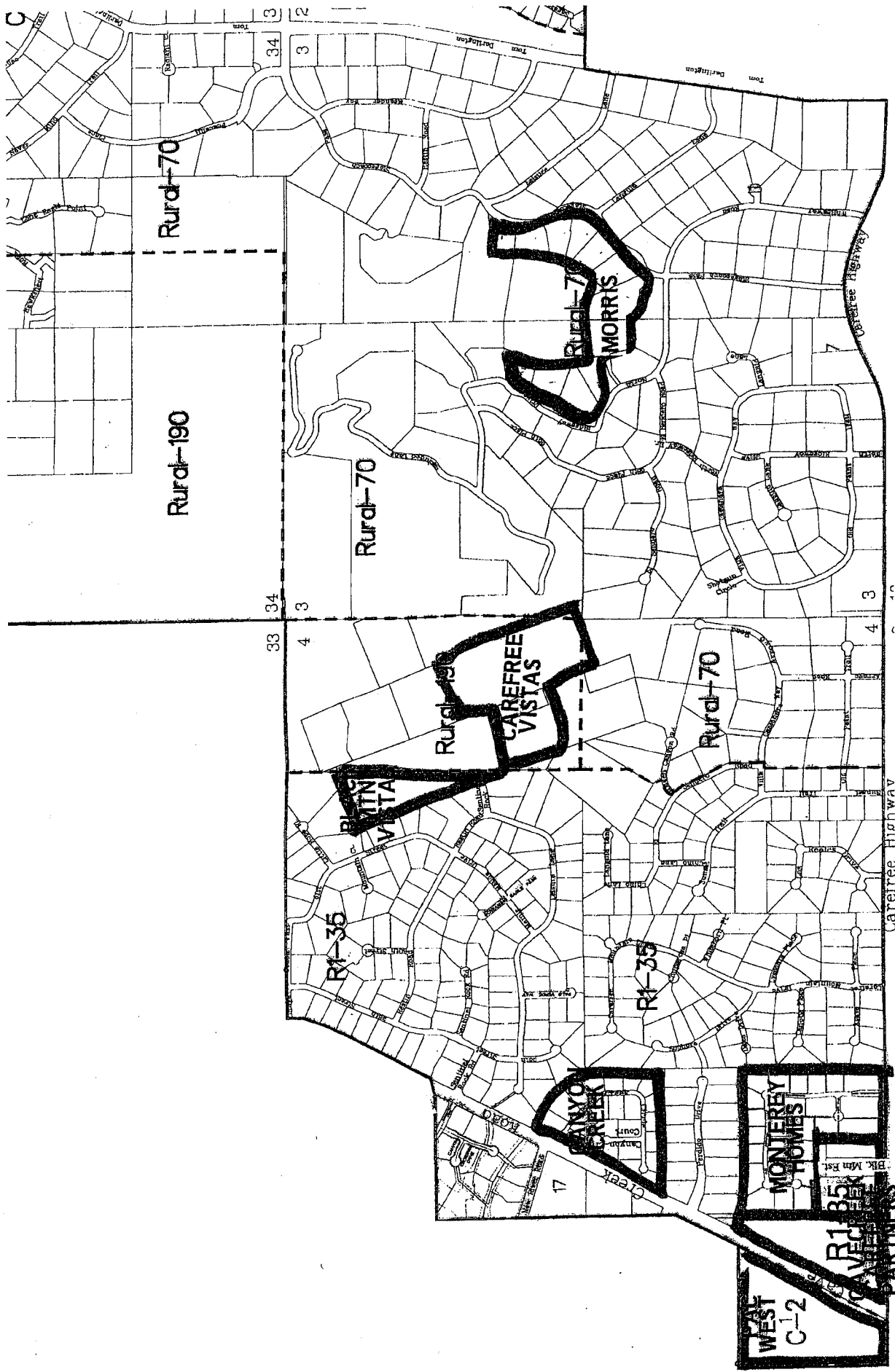
35,000 square feet

211-99-006

REVISIONS:

[illegible]

MEMBER: BOB

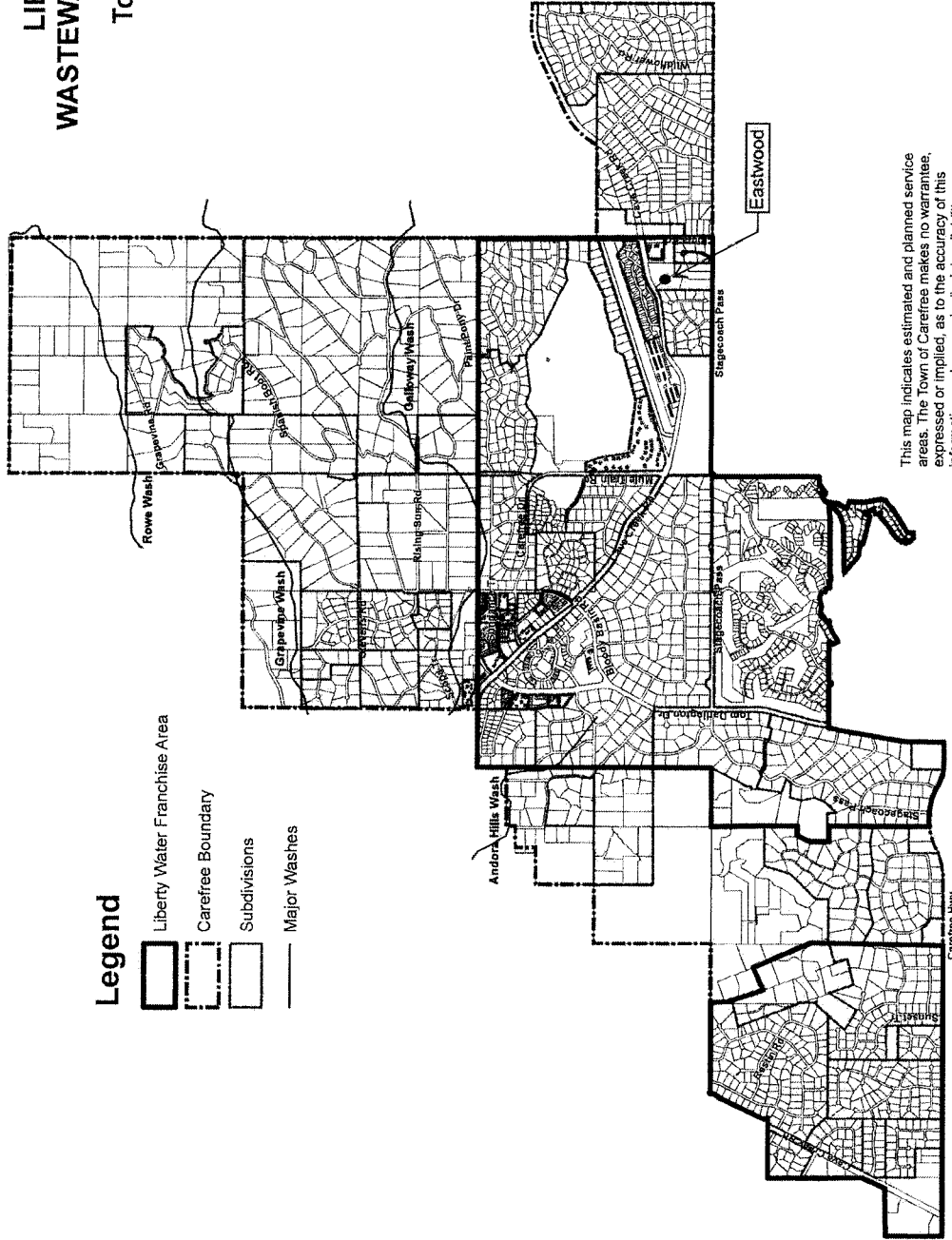


# **EXHIBIT 2**

Figure 22.

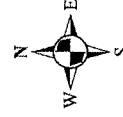
# LIBERTY WATER WASTEWATER SERVICE AREA

## Town of Carefree General Plan



### Legend

- Liberty Water Franchise Area
- Carefree Boundary
- Subdivisions
- Major Washes



This map indicates estimated and planned service areas. The Town of Carefree makes no warranty, expressed or implied, as to the accuracy of this information and expressly disclaims liability for the accuracy thereof.

Source: Town of Carefree (2012)

## FIRST AMENDMENT TO OPERATING AGREEMENT

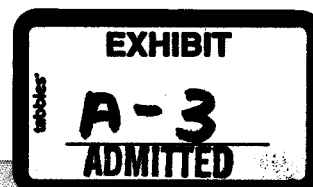
This First Amendment to Operating Agreement ("First Amendment") is dated this 1<sup>st</sup> day of June 2016 by and between Town of Carefree, an Arizona municipal corporation ("Town"), and Liberty Utilities (Black Mountain Sewer) Corp. ("Utility"), an Arizona public service corporation formerly known as Black Mountain Sewer Corporation. This First Amendment modifies the Operating Agreement between Town and Utility dated March 21, 2006.

On or about March 21, 2006, Town and Utility entered an Operating Agreement by which Town granted to Utility, its successors and assigns, the right and privilege to construct, maintain and operate upon, over, along, across, and under the Public Streets within Utility's CC&N service area Utility Facilities for a wastewater collection system, together with any and all necessary or desirable appurtenances (including, but not limited to, pumping facilities, transmission mains, service lines, meters, force mains, collection mains, cleanouts, manholes and equipment for its own use), for the purpose of providing wastewater collection services to individuals and entities within Utility's extended CC&N service area.

The Eastwood Development is an approximately 9.5 acre property located in the Town of Carefree generally located by Cave Creek Road adjacent to the north and west of Pima Road. The Eastwood Development lies within Section 36 of Township 6 North, Range 4 East of the Gila and Salt River Meridian (the "Eastwood Property"). The owner/developer of the Eastwood Property has requested that Utility provide wastewater utility services to the Property and that Utility seek approval to extend its Certificate of Convenience and Necessity (CC&N) approved by the Arizona Corporation Commission ("Commission") to include the Eastwood Property. Utility has filed an application with the Commission for extension of Utility's CC&N to include the Eastwood Property. The legal description of the CC&N Extension Area for the Eastwood Property is attached as Exhibit 1.

Under this First Amendment, Town and Utility expressly acknowledge and agree that the Operating Agreement between Town and Utility dated March 21, 2006 includes and applies to the Eastwood Property. Town and Utility further agree that the Operating Agreement shall include and apply to all property located within the Liberty Water Franchise Area depicted on the map attached as Exhibit 2 entitled Figure 22, Liberty Water Wastewater Service Area, Town of Carefree General Plan. Town and Utility agree that the Operating Agreement shall apply to and include any and all property included within any future expansions of Utility's CC&N service area as approved by the Commission for any land within the municipal boundaries of the Town. Finally, Town and Utility understand and agree that all other terms and conditions of the March 21, 2006 Operating Agreement shall remain in full force and effect, except as otherwise noted in this First Amendment.

Under this First Amendment, Town and Utility further agree that the term of the Operating Agreement shall be extended and continue and exist for fifteen (15) years from the date of this First Amendment. Upon expiration of that term, if the Operating Agreement has not renewed or been extended, the Operating Agreement and First Amendment shall continue in full force and effect for successive periods of one (1) year each unless terminated at the end of the period by notice or at such time as a franchise agreement has been entered between Town and Utility. Town and Utility understand that this paragraph modifies paragraph 8 of the Operating Agreement between the parties.



TOWN OF CAREFREE

By: \_\_\_\_\_

Its: \_\_\_\_\_

LIBERTY UTILITIES (BLACK  
MOUNTAIN SEWER) CORP.

By: Matthew Gorkick

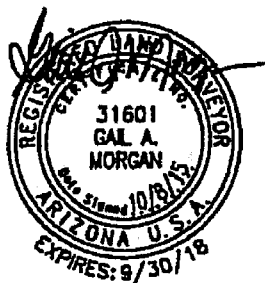
Its: President - AZ

**EXHIBIT 1**

**LEGAL DESCRIPTION**

**EASTWOOD PROPERTY**





**Legal Description  
Eastwood**

Job No. 15-058

October 8, 2015

A portion of the Southeast quarter of Section 36, Township 6 North, Range 4 East of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at a brass cap at the southeast corner of the Southeast Quarter of said Section 36, from which a brass cap at the South quarter corner of said Section 36 bears South 89 degrees 52 minutes 32 seconds West (an assumed bearing) 2641.74 feet; thence South 89 degrees 52 minutes 32 seconds West, 548.51 feet; thence North 0 degrees 03 minutes 03 seconds West, along a line parallel with the east line of the Southeast Quarter of said Section 36, 891.13 feet to the POINT OF BEGINNING;

Thence South 89 degrees 52 minutes 31 seconds West, 227.40 feet;  
thence South 14 degrees 30 minutes 24 seconds West, 192.25 feet to the northeast corner of Lot 2C of the Lot Split of Lot 2, defined in Book 1135, Page 14, records of Maricopa County, Arizona;  
thence South 31 degrees 52 minutes 47 seconds West, along the east line of said Lot 2C, 88.28 feet;  
thence North 74 degrees 20 minutes 42 seconds West, 287.42 feet to a point on the west line of said Lot 2C;  
thence North 0 degrees 03 minutes 03 seconds West, along said west line and the northerly prolongation thereof, 607.69 feet to the monument line of Cave Creek-Camp Creek Road and the beginning of a non-tangent curve, concave Northwest, from which the radius point bears North 34 degrees 29 minutes 14 seconds West a distance of 716.20 feet;  
thence Northeasterly, 14.56 feet along said monument line and the arc of said curve to the left through a central angle of 1 degrees 09 minutes 52 seconds;  
thence North 54 degrees 20 minutes 54 seconds East, along said monument line, 62.05 feet to the beginning of a curve, concave Southeast, having a radius of 716.20 feet;  
thence Northeasterly 299.79 feet along said monument line and the arc of said curve to the right through a central angle of 23 degrees 59 minutes 00 seconds;  
thence North 78 degrees 19 minutes 54 seconds East, along said monument line, 269.55 feet;  
thence South 0 degrees 03 minutes 03 seconds East, along a line parallel with the east line of the Southeast Quarter of said Section 36, 642.15 feet to the POINT OF BEGINNING.

An area containing 413,915 s.f. or 9.5022 acres, more or less.

EPS Group, Inc. • 2045 S. Vineyard, Suite 101 • Mesa, AZ 85210  
Tel (480) 503-2250 • Fax (480) 503-2258

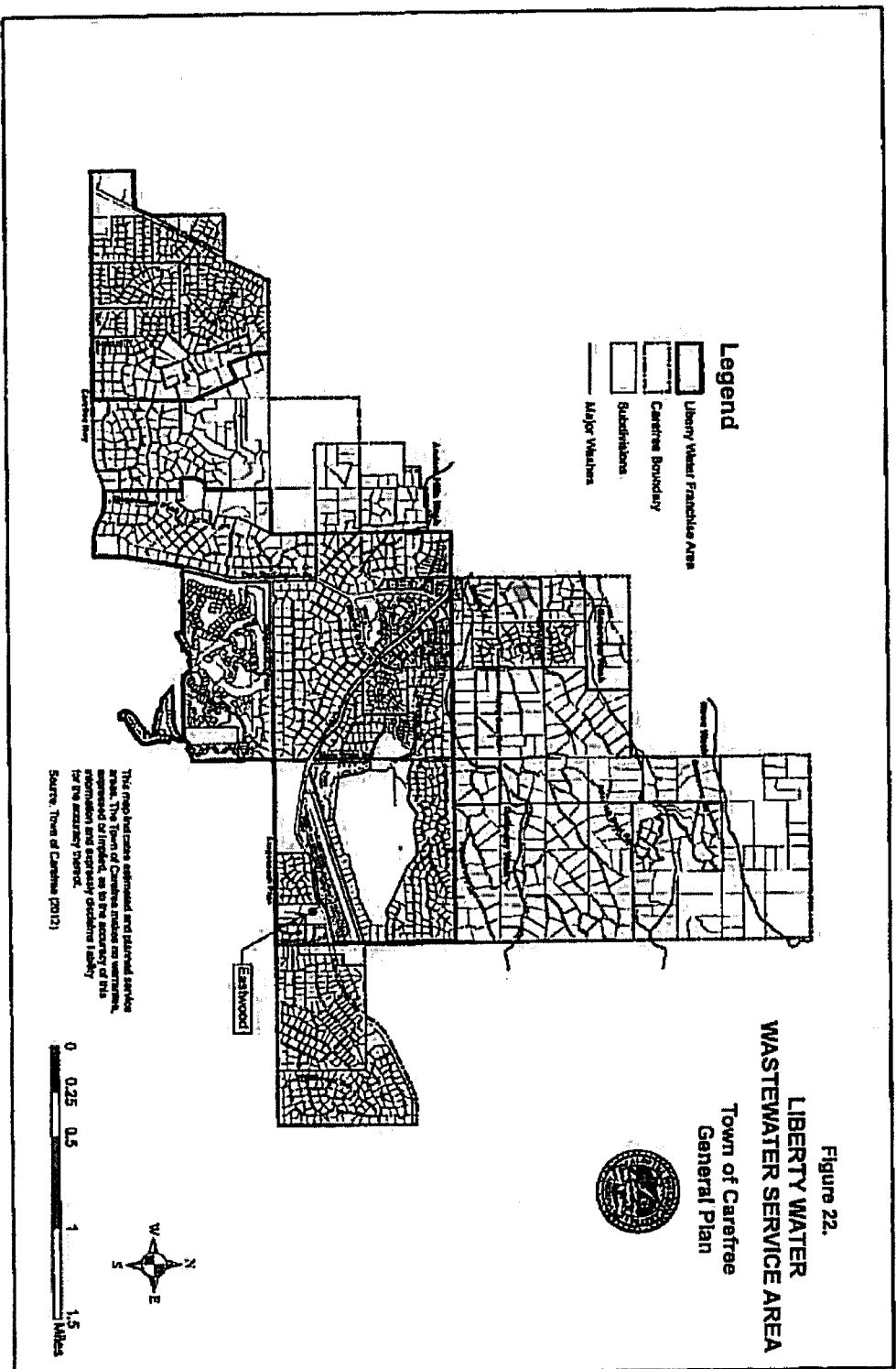
S:\Projects\2015\15-058\Legal Survey\Legals\15058 LD Combined Parcels.docx

**EXHIBIT 2**

**FIGURE 22**

**LIBERTY WATER WASTEWATER SERVICE AREA**

**TOWN OF CAREFREE GENERAL PLAN**



ORIGINAL

**MEMORANDUM**

RECEIVED

TO: Docket Control

FROM: Thomas M. Broderick  
for Director  
Utilities Division

*Ames*

2016 MAY -9 P 4: 06

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: May 9, 2016

RE: STAFF REPORT FOR LIBERTY UTILITIES (BLACK MOUNTAIN SEWER)  
CORP. - APPLICATIONS FOR EXTENSION OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO PROVIDE WATER AND  
WASTEWATER UTILITY SERVICE TO A PORTION OF MARICOPA  
COUNTY (DOCKET NO. SW-02361A-16-0067)

Attached is the Staff Report for the application of Liberty Utilities (Black Mountain Sewer), Corp. for extension of its existing Certificate of Convenience and Necessity ("CC&N"). Staff is recommending approval with conditions.

TMB:BNC:nr\RRM

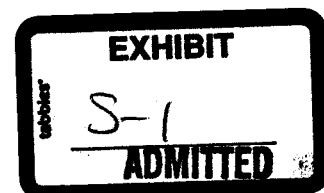
Originator: Blessing Chukwu

Arizona Corporation Commission

**DOCKETED**

MAY 09 2016

DOCKETED BY	<i>KE</i>
-------------	-----------



Service List for: Liberty Utilities (Black Mountain Sewer) Corp.  
Docket No. SW-02361A-16-0067

Mr. Jay Shapiro  
Shapiro Law Firm, P.C.  
1819 East Morten Avenue, Suite 280  
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Liberty Utilities Corporation  
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Chief Counsel, Legal Division  
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Phoenix, Arizona 85007

Mr. Thomas M. Broderick  
Director, Utilities Division  
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1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Dwight Nodes  
Chief Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.**

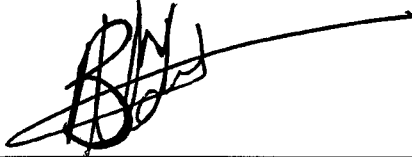
**DOCKET NO SW-02361A-16-0067**

**APPLICATION FOR EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY**

**MAY 9, 2016**

## STAFF ACKNOWLEDGMENT

The Staff Report for Liberty Utilities (Black Mountain Sewer) Corp. (Docket No. SW-02361A-16-0067) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the application. Dorothy Hains was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', written over a horizontal line.

Blessing Chukwu  
Executive Consultant

A handwritten signature in black ink, appearing to be 'Dorothy Hains', written over a horizontal line.

Dorothy Hains  
Utilities Engineer

**EXECUTIVE SUMMARY**  
**LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.**  
**DOCKET NO. SW-02361A-16-0067**

On February 24, 2016, Liberty Utilities (Black Mountain Sewer), Corp. ("Liberty" or "Applicant" or "Company") filed an Application for extension of its Certificates of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "Commission") to provide wastewater utility service, to a portion of Maricopa County. On March 23, 2016, Staff informed Liberty that its application was sufficient for administrative purposes. Hearing is set for June 2, 2016.

Liberty is requesting Commission approval to serve the Eastwood development. The requested area consists of approximately 9.5 acres and will have a total of 39 residential dwelling units at build out. The requested area is in the Town of Carefree, Maricopa County.

Based on Staff's review and analysis of the application, Staff believes that the Liberty's wastewater system has adequate treatment capacity to treat the existing customer base. Staff also believes that the proposed wastewater plan by Liberty is appropriate and the costs are reasonable. However, no "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff recommends the Commission approve Liberty's application for extension of its CC&N for wastewater service to the Eastwood development, located in a portion of Maricopa County, Arizona, subject to compliance with the following conditions:

1. To require Liberty to charge its existing rates and charges in the proposed extension area.
2. To require Liberty to file with Docket Control, a copy of the Town's franchise agreement or consent for the extension area as a compliance item in this docket no later than June 30, 2017.
3. To require Liberty to file with Docket Control, as a compliance item in this docket, a copy of the Certificate of Approval of Construction for the first parcel served in the Development area no later than June 30, 2017.

Staff further recommends that the Commission's Decision granting this extension of CC&N to Liberty, for Eastwood development, be considered null and void, after due process, should Liberty fail to meet Conditions Nos. 2 and 3 within the time specified.



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## **INTRODUCTION**

On February 24, 2016, Liberty Utilities (Black Mountain Sewer), Corp. ("Liberty" or "Applicant" or "Company") filed an Application for extension of its Certificates of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "Commission") to provide wastewater utility service, to a portion of Maricopa County.

On March 23, 2016, Staff informed Liberty that its application was sufficient for administrative purposes. Hearing is set for June 2, 2016.

## **BACKGROUND**

Liberty is an Arizona corporation in good standing with the Commission's Corporation Division. Liberty provides wastewater utility service to the public in and around the Town of Carefree, in Maricopa County, Arizona. Liberty's affiliates provide water and/or wastewater services in Santa Cruz County, Cochise County, Pinal County and within the cities of Litchfield Park, Goodyear, and Avondale, and in adjacent unincorporated areas of Maricopa County in the west Phoenix valley, west of Agua Fria River and north of Interstate Highway 10. Currently, Liberty provides water utility service to approximately 18,400 customers and wastewater utility service to approximately 20,500 customers.

Liberty is wholly owned by Liberty Utilities (Sub) Corp., a Delaware corporation, which is a wholly owned subsidiary of Liberty Utilities Co., a Delaware corporation. Liberty's ultimate parent is Algonquin Power & Utilities Corp., a Canadian corporation whose shares are traded on the Toronto Stock Exchange.

## **PROPOSED EXTENSION AREA**

Liberty is requesting Commission approval to serve the Eastwood development, located within Sections 36 of Township 6 North, Range 4 East. The requested area is bounded by Cave Creek Road to the north, Pima Norte Commercial Site to the east, a vacant land to the south and a future Stagecreek Estates subdivision to the west. The Eastwood development consists of approximately 9.5 acres and will have a total of 39 residential dwelling units at build out. The requested area is in the Town of Carefree, Maricopa County. Attachment B contains a map which shows the portion of Maricopa County. According to the Application, all construction will be started and completed in 2016, upon Commission approval of this CC&N approval.

## **REQUEST FOR SERVICE**

A request for service is fundamental in determining whether a need for a CC&N exists. Exhibit 9 to the application contains four (4) requests for service for the requested area. Three (3) requests for service are from the property owners and the fourth is from the developer, Keystone at Eastwood, LLC. According to the application, once the Eastwood development plat process is completed, the three property owners that requested service would pass the title to the developer and the entire development will be owned by the Keystone at Eastwood, LLC.

## THE WASTEWATER SYSTEM

Liberty and the City of Scottsdale ("City") signed a service agreement ("Agreement"), on January 21, 1996, that will expire on December 31, 2016. In the agreement, the City agrees to treat and to dispose of the wastewater from Liberty's CC&N area. Liberty purchased 600,000 GPD of treatment capacity in the City's Wastewater Treatment Plant system. At present, the City agrees to treat a maximum of 1,000,000 GPD for Liberty. Liberty and the City have negotiated an Amended and Restated Wastewater Treatment Agreement for additional treatment capacity of 120,000 gallons, effective March 15, 2016.<sup>1</sup> The Agreement also gives Liberty the right to purchase additional treatment capacity, up to 150,000 GPD after January 1, 2018.

Wastewater from the requested CC&N area will be treated by Boulder Wastewater Treatment Plant ("Boulder WTP") until the plant is closed on or before November 30, 2018 and the City. Liberty owns and operates its Boulder WTP. Boulder WTP has a treatment capacity of 120,000 gallon per day ("GPD"). Excess wastewater flow is diverted through a bypass line and discharges into a collection system that connects to the City's wastewater collection system and is treated by the City's Wastewater Treatment Plant.

Liberty intends to finance the wastewater facilities through a combination of contributions and advances in aid of construction ("AIAC") (Hook-up Fees) made by Eastwood developer.

Attachment A is Staff's Engineering Report which describes Liberty's current wastewater system, the proposed wastewater plan, the projected wastewater construction schedule and the costs to serve the requested area. The report includes the finding that Liberty is in compliance with the Commission decisions and Arizona Department of Environmental Quality ("ADEQ"). The report indicates that ADEQ has determined that the City's WTP was not in violation at a level at which ADEQ will take an action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment.<sup>2</sup> The report also indicates that Liberty's wastewater system has adequate treatment capacity to treat the existing customer base. Further, that the proposed wastewater plan by Liberty is appropriate and the costs are reasonable. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff recommends that Liberty file with Docket Control, as a compliance item in this docket, a copy of the Certificate of Approval of Construction ("AOC") for the first parcel served in the Development no later than June 30, 2017.

The Town of Carefree ("Town") will provide water service to the requested area.

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<sup>1</sup> Decision No. 75510 (April 25, 2016).

<sup>2</sup> ADEQ Compliance Status Report dated March 23, 2016.

## **PROPOSED RATES**

Liberty intends to provide wastewater utility service to the extension area under its authorized rates and charges.

## **HOOKUP FEE TARIFFS**

Liberty has an approved Offsite Hookup Fee Tariff for wastewater on file.

## **FRANCHISE**

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority, authorizing the use of public roads or lands to construct, install, operate and maintain a water and/or wastewater system. If the applicant operates in an unincorporated area, the Company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Liberty did not file, in the docket, a copy of the franchise agreement it had entered into with the Town or the Town's consent, for its proposed extension area.

## **RECOMMENDATIONS**

Staff recommends the Commission approve Liberty's application for extension of its CC&N for wastewater service to Eastwood development, located in a portion of Maricopa County, Arizona, subject to compliance with the following conditions:

1. To require Liberty to charge its existing rates and charges in the proposed extension area.
2. To require Liberty to file with Docket Control, a copy of the Town's franchise agreement or consent for the extension area as a compliance item in this docket no later than June 30, 2017.
3. To require Liberty to file with Docket Control, as a compliance item in this docket, a copy of the Certificate of Approval of Construction for the first parcel served in the Development area no later than June 30, 2017.

Staff further recommends that the Commission's Decision granting this extension of CC&N to Liberty, for Eastwood development, be considered null and void, after due process, should Liberty fail to meet Conditions Nos. 2 and 3 within the time specified.

**MEMORANDUM**

DATE: March 30, 2016

TO: Blessing N. Chukwu  
Executive Consultant III

FROM: Dorothy Hains, P. E. DH  
Utilities Engineer

RE: The Application of Liberty Utilities (Black Mountain Sewer) Corp. For Approval of An Extension Of A Certificate Of Convenience and Necessity To Provide Wastewater Utility Service In Maricopa County, Arizona (Docket No. SW-02361A-16-0067)

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**I. BACKGROUND**

On February 24, 2016, Liberty Utilities (Black Mountain Sewer) Corp. ("Applicant" or "BMSC") filed an application (Docket No. SW-02361A-16-0067) for an extension of its wastewater Certificate of Convenience and Necessity ("CC&N") to serve the Eastwood development which is located, near the Carefree Airport, in a portion of Section 36, Township 6 North, Range 4 East in the Town of Carefree, Maricopa County. It is anticipated that the requested area of 9.5 acres will have a total of 39 residential dwelling units at build out. The requested area is surrounded by Pima Road, Cave Creek Road, and Stagecoach Pass Road. The offsite and onsite facility construction will be financed through a combination of contributions and advances in aid of construction via Hook-up fees paid by the Eastwood Developer.

**II. PROPOSED WATER PLAN**

The Town of Carefree will provide water service to the requested area.

**III. WASTEWATER SYSTEM**

Wastewater from the requested area will be treated by Boulder Wastewater Treatment Plant ("Boulder WWTP") and the City of Scottsdale ("Scottsdale"). The Applicant owns and operates the Boulder which has a 120,000 gallon per day ("GPD") permitted treatment capacity. Excess wastewater flow is diverted through a bypass line and discharges into a collection system that connects to the Scottsdale wastewater collection system and will be treated by Scottsdale's WWTP. The Boulder WTP is scheduled to close on or before November 30, 2018.<sup>1</sup>

On January 21, 1996, Scottsdale and BMSC signed a service agreement ("Scottsdale Agreement") that will expire on December 31, 2016. In this agreement, Scottsdale agrees to treat and to dispose of the wastewater from BMSC's CC&N area. BMSC purchased 600,000 GPD of

---

<sup>1</sup> Decision No. 75510 (April 25, 2016)

treatment capacity in the Scottsdale WWTP system. At present, Scottsdale agrees to treat a total maximum of 1,000,000 GPD for BMSC. BMSC and Scottsdale have negotiated an Amended and Restated Wastewater Treatment Agreement for additional treatment capacity of 120,000 gallons, effective March 15, 2016.<sup>2</sup> The Agreement also gives BMSC the right to purchase additional treatment capacity, up to 150,000 GPD after January 1, 2018.

Currently, BMSC serves 2,198 customers, the average flow was 354,167 GPD and the daily average flow per customer is 162 GPD per customer and the peak flow was 194 GPD per customer. The Applicant estimates that this development will create 12,480 GPD flow, based on 320 GPD per connection and 39 connections when it is fully developed. Therefore, BMSC has adequate treatment capacity to serve this request.

#### IV. PROPOSED WASTEWATER PLAN

##### *On-site System*

The Applicant plans to install 1,862 linear feet of 8-inch polyvinyl chloride ("PVC") sewer pipeline, 25 linear feet of 8-inch Ductile Iron Pipe ("DIP") sewer line, fifteen Five-foot diameter manholes, four cleanouts and 39 service lateral connections. According to the Applicant all construction will be completed by the end of 2016.

##### *Off-site System*

The on-site system will be interconnected to an existing manhole on Cave Creek Road which is approximately 28 feet within the Right-of-way from the proposed on-site sewer collection system.

##### *Estimated Construction Costs*

The estimated cost is approximate \$127,204. The following table provides an itemized list of the plant components included in the estimated cost.

#### Estimated Engineering Costs

Project Description	Estimated Costs by the Applicant (\$)
<b>On-site Sewer Improvement for Eastwood</b>	
1,862 feet of 8" PVC (@ \$21/ft)	39,102
25 feet of 8" DIP (@ \$30/ft)	750
15 of 5'-diameter Manholes (@ \$3,200/unit)	48,000
4 clean outs (@ \$700/unit)	2,800
39 lateral service connections (@ \$600/unit)	23,400
<b>subtotal</b>	<b>114,052</b>

<sup>2</sup> *Id.*

<b>10% contingency fee</b>	<b>11,405</b>
<b>Total</b>	<b>125,457</b>
<b>Off-site Sewer Improvement for Eastwood</b>	
28 feet of 8" PVC (@ \$21/ft)	588
Traffic Control	600
Connection to existing Manhole	400
<b>subtotal</b>	<b>1,588</b>
<b>10% contingency fee</b>	<b>159</b>
<b>Total</b>	<b>1,747</b>
<b>Total Costs of Sewer Improvement for Eastwood</b>	<b>127,204</b>

Staff concludes that the listed system improvements are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff recommends that BMSC file with Docket Control, as a compliance item in this docket, a copy of the Approval of Construction ("AOC") for the first parcel served in the Development by June 30, 2017.

#### **V. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE**

Staff received a compliance status report for BMSC dated March 23, 2016, in which ADEQ reported: "Based upon the data submitted by the facility, ADEQ has determined that as of this date the facility was currently in compliance for the review period noted above".

Staff received a compliance status report for Scottsdale dated March 23, 2016, in which ADEQ has determined that as of this date the facility was not in violation at a level at which ADEQ would take an action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment.

#### **VI. ARIZONA CORPORATION COMMISSION ("ACC") COMPLIANCE**

A check of the Commission's Compliance Section database dated March 18, 2016, indicates there is no delinquent compliance items for the Applicant.

## VII. MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT ("MCESD") COMPLIANCE

MCESD, acting as the formally delegated agent of ADEQ has reported in a Compliance Status Report dated March 29, 2016, that the Carefree water system operating under public water system ("PWS") No. 07-015 has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

### SUMMARY

#### *Recommendations*

1. Staff recommends that BMSC file with Docket Control, as a compliance item in this docket, a copy of the Approval of Construction ("AOC") for the first parcel served in the Development by June 30, 2017.


#### *Conclusions*


1. Staff concludes that BMSC has adequate treatment capacity to serve the existing customer base.
2. Staff concludes that the listed system improvements to serve the Eastwood Development are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.
3. A check of the Commission's Compliance Section database dated March 18, 2016, indicates there is no delinquent compliance items for the Applicant.
4. Staff received a compliance status report for BMSC dated March 23, 2016, in which ADEQ reported: "Based upon the data submitted by the facility, ADEQ has determined that as of this date the facility was currently in compliance for the review period noted above"..



MEMORANDUM

TO: Blessing Chukwu  
Executive Consultant III  
Utilities Division

FROM: Lori H. Miller   
Programs and Projects Specialist II  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: April 1, 2016

RE: BLACK MOUNTAIN SEWER (DOCKET NO. SW-02361A-16-0067)

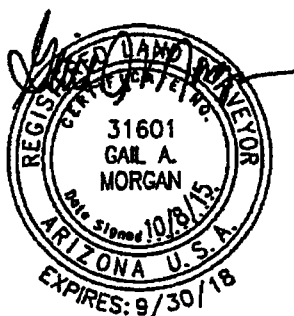
The area requested by Black Mountain Sewer for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

/lhm

Attachments

cc: Mr. Jay L. Shapiro  
Ms. Deb Person (Hand Carried)  
Ms. Dorothy Hains  
File



## Legal Description Eastwood

Job No. 15-058

October 8, 2015

A portion of the Southeast quarter of Section 36, Township 6 North, Range 4 East of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at a brass cap at the southeast corner of the Southeast Quarter of said Section 36, from which a brass cap at the South quarter corner of said Section 36 bears South 89 degrees 52 minutes 32 seconds West (an assumed bearing) 2641.74 feet; thence South 89 degrees 52 minutes 32 seconds West, 548.51 feet; thence North 0 degrees 03 minutes 03 seconds West, along a line parallel with the east line of the Southeast Quarter of said Section 36, 891.13 feet to the POINT OF BEGINNING;

Thence South 89 degrees 52 minutes 31 seconds West, 227.40 feet;  
thence South 14 degrees 30 minutes 24 seconds West, 192.25 feet to the northeast corner of Lot 2C of the Lot Split of Lot 2, defined in Book 1135, Page 14, records of Maricopa County, Arizona;  
thence South 31 degrees 52 minutes 47 seconds West, along the east line of said Lot 2C, 88.28 feet;  
thence North 74 degrees 20 minutes 42 seconds West, 287.42 feet to a point on the west line of said Lot 2C;  
thence North 0 degrees 03 minutes 03 seconds West, along said west line and the northerly prolongation thereof, 607.69 feet to the monument line of Cave Creek-Camp Creek Road and the beginning of a non-tangent curve, concave Northwest, from which the radius point bears North 34 degrees 29 minutes 14 seconds West a distance of 716.20 feet;  
thence Northeasterly, 14.56 feet along said monument line and the arc of said curve to the left through a central angle of 1 degrees 09 minutes 52 seconds;  
thence North 54 degrees 20 minutes 54 seconds East, along said monument line, 62.05 feet to the beginning of a curve, concave Southeast, having a radius of 716.20 feet;  
thence Northeasterly 299.79 feet along said monument line and the arc of said curve to the right through a central angle of 23 degrees 59 minutes 00 seconds;  
thence North 78 degrees 19 minutes 54 seconds East, along said monument line, 269.55 feet;  
thence South 0 degrees 03 minutes 03 seconds East, along a line parallel with the east line of the Southeast Quarter of said Section 36, 642.15 feet to the POINT OF BEGINNING.

An area containing 413,915 s.f. or 9.5022 acres, more or less.

EPS Group, Inc. • 2045 S. Vineyard, Suite 101 • Mesa, AZ 85210

Tel (480) 503-2250 • Fax (480) 503-2258

S:\Projects\2015\15-058\Legal Survey\Legals\15058 LD Combined Parcels.docx

# MARICOPA COUNTY

Map No. 45

RANGE 4 East

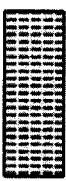


TOWNSHIP 6 North



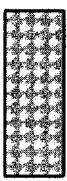
SW-02361A (2)

Black Mountain Sewer Corporation



(3)

Town of Carefree (Nonjurisdictional)



(4)

Town of Cave Creek (Nonjurisdictional)



(1)

Black Mountain Sewer Corporation  
Application for Extension of CC&N  
(Docket No. SW-02361A-16-007)



Prepared by:  
Arizona Corporation Commission  
Utilities Division  
Engineering Section/GIS Mapping  
602-542-4251

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

TR6N4E 06 JUN 2007